

Tackling the need for skilled employees through education can reap rewards

- Mike Steketee
- From: [*The Australian*](#)
- May 07, 2011

BEHIND the gloating in next Tuesday's budget about the strength of the economy will lie another reality: that on many fronts, we can do better.

Wayne Swan already has one boast off his chest: Treasury's forecast is for unemployment to keep falling to 4.5 per cent, creating another 500,000 jobs over the next few years. In economic terms, that is full employment. In fact, over-full employment because employers will have increasing difficulty filling jobs, putting pressure on wages and inflation.

It also represents a great deal of wasted opportunity, in economic and social terms. For long periods from the 1950s to the 1970s, the unemployment rate was below 2 per cent. Now that seems like an impossible goal and, in the short-term, it is.

Many more women have joined the workforce and many older men are unlikely to work again. Julia Gillard said in February there were about 800,000 people in part-time jobs who wanted to work more and the same number who had given up looking for work. By inference, she added half of those on disability support pensions and came up with a grand total of about two million people of working age who were not in jobs. Add the 600,000 officially unemployed and, as employment consultant Toni Wren points out, that totals 14 per cent of the working-age population.

Equipping people to take jobs is part of the challenge. According to Skills Australia, the government-appointed but independent body that advises on workforce needs, the problem is that the growth in job opportunities is not matched by the skills of the unemployed or underemployed. Tackling this can reap large rewards, it argues in a report issued this week. It estimates its proposals for "root-and-branch change" in TAFE and the private providers that make up the vocational education and training can raise the proportion of people aged 15 and over in jobs from 64.5 per cent to 69 per cent in the next 15-20 years. This sounds ambitious but it is not beyond reach, judging by the 68.3 per cent labour participation rate in New Zealand and the 67.2 per cent rate in Canada. According to a Productivity Commission study, the rate in Australia for males between 25 and 54 ranks 23rd out of 25 Organisation for Economic Co-operation and Development countries and for females between 25 and 44 it is 20th out of 21.

Apart from stretching the economy's ability to expand and fulfilling the aspirations of many people for more work, it would tackle another long-term problem: the ageing of the population. On present trends, the participation rate would fall to 61 per cent by 2050 as increasing numbers retire. The report estimates that raising it to 69 per cent would almost halve the increase in the dependency ratio, which is the proportion of taxpayers to those outside the workforce. In short, these are changes that could give the Gillard government the credentials it lacks: that of a reforming administration. The government is talking the talk

about increasing skills, having already boosted funding for the vocational education and training sector and planning to announce more initiatives in the budget.

Although much of the focus has been on universities, Minister for Tertiary Education, Skills, Jobs and Workplace Relations Chris Evans argued this week VET was at the forefront of trying to raise employment participation, with almost double the proportion of students from low socioeconomic backgrounds and five times the proportion of indigenous students. In 2009, 1.7 million people were enrolled in the public system and there may be almost as many again under private providers.

But to truly walk the walk, the government first will have to confront the failures starkly catalogued in the Skills Australia report. It projects that employment growth, replacement of existing employees and demand for higher skills will require 12 million additional qualifications over the next 15 years, representing growth of about 3 per cent a year in enrolments. Yet current estimated completion rates for VET courses average only 27 per cent. The figure is misleading to the extent that some students only need to do part of a course, perhaps to upgrade their skills. Nevertheless, as the report says, such low levels "raise serious questions about the nature of the VET learning experience". It adds that quality is the issue that most troubles those involved with the sector.

About seven million Australians have literacy and numeracy skills below the minimum required "to meet the complex demands of everyday life and work in the emerging knowledge-based economy", according to an Australian Bureau of Statistics Survey in 2006. At the other end of the spectrum, 40 per cent of employees say their skills are being inadequately used in their current jobs. "It is time for hard decisions," says the report. "Australia has the opportunity, perhaps a once-in-a-generation opportunity, to take the high-skills road to productivity and workforce participation reforms or continue on the well-trodden track of past experience. We cannot afford to lose further ground through sluggish productivity levels and stagnant workforce participation among some groups."

The biggest change the report advocates is for public funding to be allocated to individuals and enterprises, rather than to VET providers. Students would not literally receive a voucher but they could go to the institution of their choice and claim their entitlements and there would be no restriction on the number of places. This, says the report, would increase competition and respond to demand more effectively than a centralised planning approach.

Financial barriers to increasing skills would be reduced by the proposal to fully subsidise places up to and including certificate III courses; the level for most apprenticeships and traineeships. Above that, students would be charged for part of the cost but they would be eligible for the same HECS-style loan as university students.

Once controversial, the market-based approach suggested by the report has been increasingly adopted, including for university funding. There would be safeguards, with some specialised occupations excluded.

The goal would be to lift the completion rate to 70 per cent by holding part of the payments until the midpoint and final stages of the course; an approach that has been successful in Britain.

The report advocates formal links between VET and employers, as well as with employment services. **Based on her experience overseas, particularly in Britain and the US, Wren says a key to success is starting with the employer and working backwards. "This means designing and delivering services for job-seekers based on the hiring requirements of employers," she says.**

"It is founded on the premise that the better that training meets the employer's needs, the more likely it is that the individual will get and keep the job."

The Skills Australia proposals come at a cost: an estimated \$310 million a year up to 2020. Spread across the commonwealth and the states, that is a small investment when set beside the \$24 billion a year that the report estimates could flow into government coffers from the increased employment.

Better fitting skills to the requirements of employers is not the whole solution to achieving a true full employment level of 3 per cent or lower. In some cases, tougher conditions on receiving welfare benefits may be necessary.

But progressive tightening of the requirements for receiving benefits have made hardly any difference on the numbers receiving the disability support pension, although it has reduced those on sole parent benefits. Giving people the ability to fill the jobs available looks like a more productive approach.