

**Service Skills Australia Submission to
Workforce Futures**



November 2009
Workforce Futures

Workforce Future, Towards an Australian Workforce Development Strategy

Service Skills Australia welcomes the release of the Skills Australia Workforce Futures Discussion Paper and appreciates the chance to comment on the paper.

The paper describes Skills Australia's recommended approach for workforce planning for future skills. It identifies a need for more and higher qualified workers, and the implicit message is that resources will be concentrated at the traditional trade and professional levels. This submission by Service Skills Australia will propose that much of the rhetoric in the paper does not support the reality of the workforce today or the future.

The service industries represented by Service Skills Australia employ almost 2.5 million people and represent nearly a quarter of Australia's workforce. These workers at all levels of skills and qualifications contribute to Australia's economy. The contribution of these service sectors to Australia's Gross Domestic Product collectively was in excess of AUD 158 billion or 16.4%¹. This is a significant and important contribution to the Australian economy, yet this group of industries do not appear to be considered in Skills Australia's forecasting of the future workforce development needs for Australia. However, in the Government's projections of industry growth to 2010, retail trade was forecast to provide 21% of Australia's new jobs – or around 30,000 jobs per year from 2005-2010. Accommodation, cafes and restaurants was to contribute 8% and personal and other service 5% of new jobs. If the right numbers of appropriately skilled workers are not available for these industries, the effects on the economy will be dire.

Work in the service industries dominates the economy, and working in these industries demands a range of different skills to those required in other industries – such as traditional trades². Workforce development is about ensuring that all of Australian industry has access to appropriate numbers of skilled workers to address need into the future. It aims to tackle the skill shortages that will come about as a result of trends, such as the ageing population, by increasing levels of workforce participation and developing the skills of the current workforce. Any course of action to solve skill shortages and increase workforce participation will depend on the sector specific labour market that is in imbalance – as each market may need a tailored solution³. Service Skills Australia believes that an approach that is nuanced to the needs of the sector would be a more suitable approach. In this way they can respond to specific industry policy (for instance, Crawford Report, Preventative Health Strategy, and the National Long Term Tourism Strategy) as well as specific consumer and social drivers. This approach may also produce an output that is more in keeping with

¹ For 2007/08 was AUD50.8 billion (4.9%) for wholesale trade and over AUD60.1 billion (5.8%) for the retail trade sector, almost 21.4 billion (2.1%) for accommodation, cafés and restaurants, over AUD21 billion (2%) for the personal and other services sectors, and AUD16.2 billion (1.6%) for the cultural and recreational services sectors. In 2006/07, tourism contributed AUD38.9 billion to Australia's GDP

² Lowry, Molloy and McGlennon, 2008, *Future Skill Needs: Projections and Employers' Views*, Australian Bulletin of Labour, Vol 34 No 2.

³ Shah & Bourke, 2005, *Skills Shortages: Concepts, Measurements and Policy Responses* Australian Bulletin of Labour, Vol 31 No 1.

the culture and language of the sector and which may lead to it being more strongly embraced by industry.

1. To maximise the benefits to industry, Service Skills Australia recommends that workforce Development strategies need to be focused on the industry sector.

While there has been a trend in some industries towards employers requiring more workers with higher skill levels, job opportunities have also increased in industries such as retail⁴, which have a specific set of skill requirements that may differ to other sectors. Skills Australia identifies retail as one of the industries that is projected to account for most new jobs in the next five years. *The reality is, the majority of the jobs that will be available in retail, and most of the service industries sectors, will be at entry level – that is, Certificate II and III.* These skill levels are suited to the majority of employer's needs, with most employees commencing with basic skills in customer service and then, for some, gaining skills and experience in specialised fields. However, 59.6% of all employees within the retail trade sector and 48.4% within the wholesale trade sector do not hold an industry qualification. Similarly, for the accommodation and food service sector 62.3% of workers were without non-school qualification as at May 2008⁵. This gap needs to be addressed, and while the mismatch in supply and demand does represent a need for higher level skills for those who do not possess a qualification; it does not reflect a demand for training only at diploma, or management level.

Skills Australia rightly identifies a need to increase workforce participation. According to the ABS Job Search Experience Survey (July 2008) twenty percent of all workers first jobs are or were in the occupation of sales assistant and salesperson. This signifies that the service industries sectors are a gateway to the workforce for those attempting to enter employment. Of even greater benefit is that the skills that are obtained in the service industries – such as customer service – are readily transferable to other industries. If we are to raise workforce participation levels, it would seem to follow that training should primarily be concentrated at entry-level skills in these industries.

2. Service Skills Australia recommends that to improve workforce participation rates, support for training at entry level needs to be maintained and increased.

The development of a co-ordinated, Australia wide workforce development effort is a step in the right direction for improving productivity and participation in the Australian workforce. However, the approach suggested by Skills Australia contains some inherent problems, and under represents the needs of a group of sectors which make up almost a quarter of Australia's workforce.

If we are to get the most benefit for the Australian economy out of this important initiative, we need to more closely consider the needs of the service industries and apply a sector specific approach for developing the workforce in each labour market.

⁴ Shah & Bourke, 2006, *Qualifications and the future labour market in Australia*, Report prepared for the National Training Reform Taskforce

⁵ Department for Education, Employment and Workplace Relations, *Employment Outlook for Accommodation and Food Services*, 2009

Criteria for assessing occupations for national planning

The Workforce Futures discussion paper outlines the criteria Skills Australia recommends using to determine occupations for national planning under a workforce development framework for Australian workers. It identifies a need for more and higher qualified workers, and the implicit message is that resources will be concentrated at the traditional trade and professional levels.

Skills Australia's proposed criteria and methodology will significantly disadvantage workers in the service industries. Service Skills Australia would like to demonstrate how the service industries will be disadvantaged by providing an analysis of the criteria, indicators and measure. This analysis will in particular identify those criteria that are detrimental to workers in the service industries.

Where the skills are specialised and there is a long lead time to develop them

Indicator:

- Average training duration

Skills Australia has recommended using the training duration of a 'risk' occupation. In Background Paper One: What does the future hold? Skills Australia further defines this as a course, whose duration is above "800 hours (F/T equivalent) training duration for 50% or more of people training in the occupation". This concerns SSA. It is worth highlighting that for the bulk of service industry workers, VET programs are between one and three years in length, and some trade apprenticeships are three years in length.

Training duration is not the only indicator that should be used, the lead time needs to be considered once the skills shortage is identified – that is how long it will take until new entrants in that particular skills area are recruited, trained and qualified to operate at the appropriate level. For example, cooks and hairdressers are generally three year apprenticeship – whilst the training duration based on current definitions is two years. For a cook to progress to chef in charge of a kitchen, and manage other apprentices, it would require approximately another year. It is a similar story for hairdressers. Furthermore, anecdotal feedback from our industry members indicated that the lead time to develop a good retail manager is not only the time to complete the qualification, but also requires many years of 'on the job' experience – up to five years.

Training duration is not a true indicator of the 'lead time' to develop skills.

3. To benefit the workers and employers in the service industries, Service Skills Australia recommends that the indicator for long lead time should include a more robust analysis of lead time – and not rely exclusively on training duration.

Where there is a good fit between what people train for and the jobs they get – that is, the skills are well used in industry

Indicators:

- Match between intended versus destination occupation

- There are relatively few people currently employed in the occupation without the requisite qualifications

Data from NCVET shows that:

- In the sales worker occupation group, 51.6% of VET graduates who train for this occupation end up employed in the intended occupation and almost half (43.6%) of those who are not in the intended occupation are employed at the same, or higher skill level.
- For managers more than a quarter of VET graduates (28.6%) end up in a job at a lower skill level, and the percentage employed in their intended occupation is very low (18.8%).
- For professionals the majority of VET graduates (56.7%) end up in a job that is at lower skill level to that which they were trained in.
- Furthermore, the percentage of workers employed in their intended occupation is relatively low (35.4%).

This data indicates that higher level training (Management level – Certificate IV and Diploma) is demanded less by the industry than AQF level 2 and 3 qualifications. The data shows that typically, workers training in higher AQF levels do not obtain employment within their intended occupation. For the majority of AQF level 2 and 3 qualified workers, (such as sales workers), employment typically occurs, in a similar or higher position in another industry. This data also supports the idea that employers of higher level qualification graduates (such as those equated with management skills) may require workplace experience at a lower occupation level to complement the learning.

This data also provides evidence that there are a significant majority of workers who do not have a qualification. As mentioned earlier, almost 60% of all employees within the retail trade sector and over 48% within the wholesale trade sector do not hold an industry qualification. Similarly, as at May 2008 in the accommodation and food service sector, over 62% of workers were without non-school qualification.

Service Skills Australia would argue that this is evidence of a training gap that requires a response specific to the needs of sector (see recommendation one), A focus specifically on higher AQF levels may not be responsive or flexible enough to meet the needs of the modern workplace.

4. Service Skills Australia recommends that planning for skills should be more reflective of the realities of skill development and, more specific to the needs of each sector.

Where there is significant disruption if the skills are in short supply—e.g. causing bottlenecks in supply chains, generating significant community costs, or a risk of not meeting government priorities

Indicators:

- Occupations that have licensing or registration requirements

- Occupation is needed to deliver priority government policies

Service Skills Australia does not see a direct correlation between whether or not an occupation is in demand by determining whether a skill has occupation or licensing requirements. This indicator does not seem to aid the identification of occupations at risk or in demand.

In *Workfuture*, Skills Australia also describes that ‘risk’ occupations should include those needed to deliver government policy priorities.

The sources suggested by Skills Australia include resource development, manufacturing, space, marine, health, education, ICT, renewable energy, energy efficiency and construction. SSA agrees that the most important Government priorities should be the ensuring the sustainable growth of our economy and to that end, would note that one of the key contributors are the service industries. As mentioned before, the contribution of these service sectors to Australia’s Gross Domestic Product collectively was in excess of AUD 158 billion or 16.4%. This is a significant and important contribution to the Australian economy. SSA notes that this group of industries does not appear to be considered in Skills Australia’s grouping of “priority” occupations. If the right numbers of appropriately skilled workers are not available for these industries, the effects on the economy will be dire.

5. Service Skills Australia recommends that the Government must consider the contribution of the service industries to the economy when identifying priority occupations.

Where there is sufficient information to assess the future demand for a skill

Indicators:

- Compelling evidence supports industry claims regarding the special significance of the occupation

This information is to be provided by Industry Skills Councils (ISCs), such as Service Skills Australia. SSA is pleased that it will be able to provide evidence for ‘at risk’ occupations in our industry. However, as ISCs will be required to base this evidence on criteria A-C, (which SSA believes to have inherent problems) we believe that the approach is problematic unless modified.

Additional criteria on risk occupations

The rewards to the occupation – Skills are highly valued in the labour market – they are well paid

Indicator: Comparative earnings

Here, Skills Australia identifies that risk occupations will need to be “highly valued” and the measure for this is that these occupations are “well paid” at “*above full-time average wage of \$1000.00 per week (gross)*”. Service Skills Australia the measure of value should not be described in these terms as, to do so, puts the workers in the service industries at a significant disadvantage. In the service industries the relative wage is lower than in

other industries; however we do not believe that this makes them any less valuable. Sales assistants are integral to the success of a retail business, chefs and waiters are fundamental to restaurants and cafes, hairdressers and beauty therapists are vital to salons and funeral directors are essential to the funeral industry. Whilst these occupations might not be relatively highly paid, they are extremely valuable to both the service industries, and the economy.

Occupational growth: Recent or projected future growth is rapid

Indicator: High recent growth occupations – past three years and project five year growth

Skills Australia identifies “Occupation growth” as an ‘additional criteria’. Service Skills Australia believes this to be one the most significant indicators of ‘at risk’ occupations. In the Government’s projections of industry growth to 2010, retail trade was forecast to provide 21% of Australia’s new jobs – or around 30,000 jobs per year from 2005-2010. Accommodation, cafes and restaurants was to contribute 8% and personal and other service 5% of new jobs. The reality is, the majority of the jobs that will be available in retail, and most of the service industries sectors, will be at entry level – that is, Certificate II and III.

Skills deepening

As noted in Access Economics report for Skills Australia ‘Economic modelling of skills demand’ *“Skills deepening” is an important issue in assessing the economy’s likely future requirements for qualifications. There are two concepts captured by skills deepening. On the one hand it can mean an increase over time in the proportion of people within a given occupation or industry with a post-school qualification. On the other hand, it can also mean within a given occupation or industry seeing an increase in the proportion of people with higher-level qualifications.*” Further it states that *“Skills deepening is generally seen as occurring due to the changing nature of labour demand. That is, roles are becoming more demanding and increasing job complexities has prompted employers to expect higher levels of interactive and cognitive abilities that can only be achieved through higher levels of qualification.”*

Service Skills Australia agrees with the current trend towards skills deepening as it relates to an increased demand in interactive and cognitive abilities. However these skills are not only provided by higher-level qualifications and skills deepening also occurs at lower level skills. While there is a need for more and different skills, as pointed out research indicates that the demand for interactive and cognitive skills will grow, and the demand for motor skills is likely to decline⁶. Employers have indicated frustration that interactive skills, such as persuasion and negotiation for effective customer interaction, were not formally recognised as being of equal worth as cognitive or motor skills. Once again, this trend does not signify the need for higher level qualifications but for different skills than are the current focus. Interactive skills are not only important in the service industries – but across all industries including trades.

⁶ Lowry, Molloy and McGlennon, 2008, *Future Skill Needs: Projections and Employers’ Views*, Australian Bulletin of Labour, Vol 34 No 2

As stated earlier the high percentage of people employed in the retail, wholesale, accommodation and food service sectors without a non-school qualification demand the provision of entry level skills to ensure the future of the service industries.

6. Taking into account previous recommendations in this submission, Service Skills Australia recommends that Skills Australia's approach should include an the opportunity for a range of skills to be supported – both generic and technical.

Volunteers

The Skills Australia approach does not recognise the contribution of volunteers to many service industry sectors. The service industries SSA represents have approximately 1.7 million volunteers.

The status and work of volunteers needs to be recognised and the input and value they provide has to be further promoted as they are still not receiving sufficient recognition and support. This is reinforced by the fact that some volunteering activities are not recognised by the volunteers themselves as being volunteering activities and/or the volunteers don't see themselves as volunteers, e.g. parents involved in their children's sport club.

Research from People First Total Solutions suggests that 50% of volunteer utilising organisations (VUOs) do not possess the minimum resources required to properly engage volunteers and that many are not adapting to the changing environment. There needs to be a greater understanding that effort is required to ensure that organisations are effectively supporting and looking after their volunteers. Otherwise volunteers will be engaged who drop out, dissatisfied⁷. Organisations need to recognise that while there are benefits in having volunteers there are also responsibilities and costs involved.

Australian governments should provide support to develop and promote training for not-for-profit management and boards in governance and related areas. They should explore the options for improving access to and quality of such training in these areas with peak bodies and appropriate training providers.

In addition, feedback from our recent volunteer workshop indentified access to Governance / Finance / HR training as a common need across the voluntary sector for the service industry. The workshop also found that there is presently a low level of awareness of the existing training available to meet these needs.

SSA is currently working on an issue paper that proposes a new way forward for RPL. We see this as a pathway for engaging with voluntary workers and making the RPL process simpler for candidates.

The work Service Skills Australia is undertaking into workforce development for volunteers can be found at www.serviceskills.com.au, we would welcome Skills Australia to review this material.

⁷ People First Total Solutions, E-News for the Not-For-Profit (NFP) Sector, August 2009 No. 8