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## Workforce Futures

Universities Australia Submission relating to the  
Skills Australia Discussion Paper on a  
National Workforce Development Strategy

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## Contents

1. Introduction.....	1
2. High level skills in the Australian Economy .....	1
3. Role of Skills Australia and the business sector.....	2
4. Funding and regulation of skills formation.....	2
5. Accessibility .....	3
6. Internationalisation .....	4
7. Modelling of future skills needs .....	4
8. Conclusion .....	5

## 1. Introduction

Universities Australia is pleased to make this submission to Skills Australia on its *Workforce Futures* discussion paper. Universities Australia is the industry peak body representing Australia's 39 universities in the public interest, nationally and internationally.

Universities Australia supports the ongoing work of Skills Australia to understand and plan for Australia's future tertiary skills needs. We support the proposed comprehensive approach to workforce development that takes into account skills usage as well as skills generation. In particular, Universities Australia believes that more needs to be done to promote demand for higher level skills within Australian industry, which is currently lagging competitor nations.

The following submission is framed around responding to several key issues raised in *Workforce Futures*, particularly concerning the roles of various stakeholders in workforce development, linking the skills agenda to social inclusion and support for international students, and further developing the empirical basis for managing future skills shortages.

## 2. High level skills in the Australian Economy

Universities Australia strongly supports the overall approach to skills development in *Workforce Futures*, which is to balance market-based mechanisms with a risk-based approach to key occupations. In general, universities and training providers are best placed to allocate places amongst various fields of study according to student demand and other relevant factors. At the same time, certain professions (e.g. in health, education and some sciences) may require a higher degree of coordination, and universities remain willing to work with government to ensure that adequate places are available to meet national priorities. The negotiation of mission-based compacts between the Government and universities offers one opportunity to address such priorities.

In an environment of expanding demand for higher level qualifications, it is important that such demand from students be matched by demand for higher-level skills by employers. Currently the picture in this area is mixed. Graduate Careers Australia has found that graduate demand from employers has softened somewhat as the overall economy has weakened, but remains strong overall, and that some employers are seeing the downturn as an opportunity to secure skilled staff from competitors.<sup>1</sup> The recent Australian Industry Group CEO survey *Skilling Business in Tough Times*, has similarly highlighted some decline in training and recruitment activity, but accompanied by a desire to maintain efforts in these areas despite fiscal pressures.<sup>2</sup>

Universities Australia believes there is still a culture within many Australian businesses of not valuing higher qualifications, particularly postgraduate qualifications. This was a finding of a major study undertaken into *Demand for Employment of Maths and Science Postgraduates* by the Australian Council for Educational Research.<sup>3</sup> There are many reasons for this, and historically there may have been a degree of distance and poor communication between business and the academy that has not been helpful. Recent research has suggested there may also be issues with valuing and using the skills of a culturally diverse graduate population.<sup>4</sup>

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<sup>1</sup> Graduate Careers Australia, *Graduate Grapevine*, Summer 2008.

<sup>2</sup> Australian Industry Group/Deloitte Touche Tohmatsu, *Skilling Business in Tough Times*, 2009.

<sup>3</sup> Australian Council for Educational Research, *Demand for and Employment of Maths and Science Postgraduates*, 2008, commissioned by the Department of Education, Employment and Workplace Relations.

<sup>4</sup> Andrew Leigh, Alison Booth and Elena Varganova, "Does Racial and Ethnic Discrimination Vary Across Minority Groups? Evidence From Three Experiments", ANU working paper, available at: <http://econrssh.anu.edu.au/~aleigh/>.

However, we are in an environment where competitor nations have invested heavily in undergraduate and postgraduate education, and where a good deal of research is now available to demonstrate the value of this investment. In the long boom before the Global Financial Crisis, there was strong evidence that skill shortages were even greater for advanced skills than for vocational skills, which were also in short supply. Modelling conducted by KPMG Econtech for Universities Australia found that investment in higher education in line with Universities Australia's target of two per cent of GDP will generate a 5.7 per cent increase in GDP by 2040 with an internal rate of return of 14 per cent, well above the 'hurdle rate' for sound public investment of under 10 per cent.<sup>5</sup> This finding was based on a number of Australian and international studies examining returns from university education and research. KPMG Econtech's findings were conservative as they did not take into account broader effects (e.g. improved health outcomes) from increasing education levels.

### 3. Role of Skills Australia and the business sector

Universities Australia endorses the proposed role for Skills Australia in establishing a whole-of-government approach to skills concepts, principles and indicators of success. We further support the idea of supporting 'lighthouse projects' within Australian business that can demonstrate the benefits of greater skills utilisation. Beyond this, Universities Australia would argue that Skills Australia can make greater use of its convening power to bring together business, education providers, government and other stakeholders to work through approaches to potential future skills needs and skills shortages. The complexity of the Australian labour market is such that no single government intervention or strategy can encompass the range of future skills needs. Therefore, establishing a collaborative framework for future action will be at least as important as addressing individual policy issues.

Skills Australia has sought to articulate an enhanced role for industry in setting the education and skills agenda, for example through the establishment of a Peak Industry Advisory Group. Universities Australia supports a strong industry voice in setting the future skills agenda. In this light, we have sought greater engagement with a range of business groups as one of our sectoral priorities. However, the skills needs of industry in Australia have not always been well articulated to the university sector or students, and this may require a degree of cultural shift on the part of business and peak business organisations. Equally, Universities Australia would strongly argue that higher education courses are not simply vocational qualifications, but need to be seen as fulfilling a range of functions within a student's overall development. The industry voice should therefore only be one (albeit important) voice in setting priorities for course places and curriculum.

### 4. Funding and regulation of skills formation

Universities Australia would dispute the claim in *Workforce Futures* that the tertiary system in Australia has been well-funded to meet its objectives. From the perspective of universities at least, the sector has been chronically underfunded for over a decade, placing pressure on both quality and accessibility. Australia has one of the lowest shares of government funding in the OECD, and it is the only advanced country to reduce public funding of universities as a share of GDP over the decade to 2006.<sup>6</sup> The result has been student : staff ratios of 20:1 (among the highest in the OECD) and a deferred maintenance backlog now running in the billions of dollars. In moving the balance of debate towards how skills are used in the economy, *Workforce Futures* arguably downplays the significant issues that remain in supporting skills generation, which should appropriately be the subject of ongoing investment and policy attention.

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<sup>5</sup> KPMG Econtech, *Economic Modelling of Improved Funding Arrangements for Universities*, 2009.

<sup>6</sup> OECD, *Education at a Glance*, 2007.

The Government's \$5 billion package of reforms in response to the Bradley Review of Australian Higher Education will go some way to addressing the sector's most urgent funding needs. However, this package will essentially arrest the continuing pressure on university budgets without allowing substantial changes to student : staff ratios or infrastructure development. If the number of people achieving degree-level qualifications is to increase in line with the Government's so-called 40/20 targets without undermining quality, then even greater long-term investment in the academic workforce and university infrastructure will be required.

In seeking to address previous instances of tertiary skills shortages (e.g. in nursing and teaching) Government has focussed on providing incentives to students such as HECS discounts. There is little evidence of such measures being an effective use of funds. Any future incentives arrangements should also look at the appropriate funding of courses to provide a fuller educational experience, e.g. through greater work integrated learning. Overall, there is a need to review the current funding of higher education courses in 'discipline clusters', which has resulted in some high-cost courses being systematically underfunded.

While funding for the higher education sector has been inadequate over a long period, this has not prevented tertiary education from being arguably the most over-regulated sector of the Australian economy. According to the *University Reporting Requirements* study conducted by PhillipsKPA for the Australian Vice-Chancellors' Committee following the previous government's Building Australia's Future reforms, universities:

are probably subject to more reporting requirements than any other type of organisational entity. The total sum of reporting requirements is unseen by any single government agency.<sup>7</sup>

This burden is particularly heavy in the area of data collection and reporting requirements. Despite commitments from successive governments to address 'red tape' in the sector, the steady accretion of regulatory requirement has continued, and may only worsen under the Bradley Review reforms. The Productivity Commission's recent Review of Regulatory Burdens on Business noted that 'the Commission is concerned that some of the announced reforms and the increased focus on quality assurance have the potential to add to regulatory burdens, if not designed and implemented in an efficient manner'.<sup>8</sup> Regulation that is fit-for-purpose and not unnecessarily duplicative or burdensome is therefore as important a topic for discussion as funding frameworks.

## 5. Accessibility

*Workforce Futures* focuses on Australia's above OECD average overall skill levels, however there remain substantial pockets of disadvantage within tertiary skills formation, e.g. recent migrants, welfare recipients, Indigenous Australians, people in rural and remote areas, and women in the sciences and engineering. For example, Indigenous people make up approximately 2.4 per cent of the population, but currently represent less than one per cent of university completions. The important linkage between the skills and equity agendas is mentioned in passing in *Workforce Futures*, but should be much more central to skills policy than this paper would suggest.

Universities Australia would advocate for more active government investment to address the challenges faced by particular cohorts, and for Skills Australia to generate advice on how to address

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<sup>7</sup> PhillipsKPA, *University Reporting Requirements*, 2006, p. 11.

<sup>8</sup> Productivity Commission, *Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*, 2009, p. 312.

these pockets of disadvantage as a central part of national workforce development. This could include more targeted scholarships and student support; development of more flexible learning options; and a commitment by industry to supporting the upskilling of employees from disadvantaged backgrounds who may not have had the opportunity to pursue tertiary study as a school leaver. Greater workplace flexibility to allow, for example, skilled women with family responsibilities to remain in the workforce should also form an element of the workforce development strategy.

Another important accessibility issue is the availability of high quality tertiary education within rural and regional areas. Australia's many high quality regional tertiary institutions should be supported to allow students to stay in, or move to, regional areas to study, and in doing so help develop a skilled professional regional labour force. Such students usually work while studying, may undertake work integrated learning, and on graduating often remain in regional areas.

## 6. Internationalisation

Under most scenarios in *Workforce Futures*, migration will remain an important source of skilled labour for Australia for the foreseeable future. Although this is a clear outcome of the modelling, the implications for skills policy are not discussed in any detail. For example, given that the leading source of skilled migration is Australia's international student population, one implication may be that appropriate support for international students (e.g. access to affordable accommodation, transport concessions) should be seen as important for Australia's skills development agenda as it is for financial or reputational reasons. Universities Australia believes that international student and skilled migration policy issues need to be integrated into broader workforce development policy. This also ties in with the need for a well-reasoned and solution-focussed discussion of English language skills and other 'cultural fit' issues in the workplace, and with the broader issue of appropriate accreditation of education providers, a matter made all too apparent through current international student concerns with some areas of VET provision.

## 7. Modelling of future skills needs

Skills Australia makes use of the 'Shell Scenarios' to look at future skills demand environments. While the use of scenario testing in Australian workforce development policy is innovative and potentially insightful, it is questionable whether the Shell Scenarios have provided a sufficiently nuanced picture of social and economic change facing Australia to inform an effective workforce development strategy. Universities Australia would recommend that future work be based on scenarios more fully worked out for Australian conditions and better integrated into the overall analysis (e.g. updating previous Business Council of Australia scenario analysis).

*Workforce Futures* also identifies a number of occupational areas (e.g. engineers, teachers) where there are likely to be ongoing skills shortages that may require more active government intervention. Universities Australia strongly supports the further development of this methodology to produce robust projections of potential risk areas for future skills shortage. Universities Australia also supports the development of strategies, in discussion with education providers and other stakeholders, to address identified areas of risk. This would in turn need to be accompanied by some view from Government as to how to support financially efforts by institutions and workplaces to mitigate future shortages in the identified fields.

## 8. Conclusion

The creation of a National Workforce Development Strategy offers an outstanding opportunity to focus policy attention on Australia's future skills generation, uptake and development needs in an integrated and systematic way. Universities Australia commends Skills Australia on the breadth of its approach and its wide consultation with business, education providers and other stakeholders. Universities Australia would encourage Skills Australia in the further development of this strategy to articulate an approach to promoting high-level skills in Australian business, to define a framework for Skills Australia, business and education providers to work together on future issues, and to support funding and regulation that is fit-for-purpose and promotes the widest possible skill development opportunities for all Australians. Universities Australia strongly supports further empirical analysis of risk areas for future skills shortages and would be pleased to assist Skills Australia with this work.

### Contact Details

Universities Australia would be pleased to provide more information to Skills Australia on any of the matters raised in this submission. For further comment, please contact Dr Glenn Withers AO, Chief Executive Officer, by telephone (02) 6285 2104 or email: [glenn.withers@universitiesaustralia.edu.au](mailto:glenn.withers@universitiesaustralia.edu.au).