

THE WORKFORCE OF THE FUTURE

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Australia's long-term growth prospects and the future nature of our society depend on the skills of our people and the way those skills are used.

As a nation we risk missing out on the full benefits of future global economic growth and the dividends from our investment in education unless we urgently commit to a new national approach to workforce development that maximises people's capabilities, lifts productivity and increases workforce participation.

Lifting workforce participation to 69 per cent by 2025

Australia needs to significantly increase its current rate of employment participation. While Australia's labour force participation rate has been slowly increasing, and is currently relatively high at around 65 per cent,¹ Skills Australia believes there is significant room for improvement.

The international evidence shows that comparable countries achieve higher rates of participation, particularly among certain demographic groups, demonstrating that it can be done. These groups include men of prime working age (25 to 64 years), women (25 to 34 years), and older workers (55 to 64 years). Our efforts need to be focussed on these groups.

Achieving a four per cent increase in the participation rate, to 69 per cent by 2025, is a challenging and ambitious target.

It will require a bold new approach which encourages and supports more people to enter, re-enter and remain in the workforce – particularly those who face educational, social and locational barriers.

Stimulating the participation of those who are on the margins of the workforce is critical. The unacceptably low levels of language, literacy and numeracy among many adults means that many Australians lack the literacy and numeracy proficiency to deal with day to day situations, let alone enjoy full participation in work and the ongoing adaptability required to deal with changing workplaces, technology, sustainability and new careers.

The 2010 Intergenerational Report² provides the most recent evidence that as a nation we face a demographic time bomb which will see the number of people in Australia aged from 65 to 84 more than double over the next 40 years, and the number of people 85 years and older more than quadruple.

¹ Australian Bureau of Statistics (2009), *Labour Force, Australia* Cat no. 6202.0

² Department of Treasury (2010), *2010 Intergenerational Report*

Based on the 2010 IGR projections, it's expected that the proportion of people over 65 will rise from its present share of 16.7 per cent of the total population aged 15 and over to more than 20 per cent by 2025.

Largely as a result of this ageing population, the aggregate workforce participation rate according to the IGR, is projected to fall from its present level of 65.1 per cent to 63.9 per cent in 2025.

Currently there are 4.11 workers for every dependent older person over 65. Without appropriate and timely action, by 2025 this number will fall to just 3.04.³

Skills Australia estimates however that by achieving a 69 per cent participation rate by 2025, we will nearly halve the projected increase in the level of dependency of older Australians on those remaining in the workforce.

To achieve this target however, we need the right policy settings, the necessary resources, and the commitment of all stakeholders.

Challenges facing the tertiary education sector

The tertiary education sector itself has an ageing workforce with potentially large workforce replacement issues.

In addition, to meet the changing needs of both industry and individual learners, the tertiary education workforce must become increasingly flexible, innovative and responsive. The sector also needs to explore new ways of working with industry. This includes developing the capability of the higher education and VET workforce to play a broader role in workforce development.

The OECD review of Australian VET points out the urgent issue of an ageing VET/academic workforce, raising concerns over familiarity with the workplace in a rapidly changing technological environment.⁴ The latest figures for the VET workforce indicate that 38 per cent of VET practitioners were aged 45 to 64 years in 2005, compared to 30 per cent in 1997.⁵

In TAFE, the ageing workforce is an even more pressing issue, with 48 per cent of its workforce aged over 50 years in 2008.⁶

Yet there is not much evidence of planning or action to address this issue. More needs to be done on how to attract, develop and retain the teachers and trainers of the future.

³ Projections based on the 2010 Intergenerational Report

⁴ Hoeckel et al, (2008), *Learning for jobs: OECD Reviews of vocational education and training*, Australia

⁵ Australian Bureau of Statistics (2005), *Survey of education and training, 1997*

⁶ Mlotkowski, Peter and Guthrie, Hugh, 'Getting the measure of the VET professional: an update', commissioned report for DEEWR, NCVET, forthcoming

The ageing of the higher education workforce is also clearly delineated in recent research which demonstrates that over the next ten years universities will face their largest recruitment task for three decades.⁷

Given the diversity and wide range of learning needs of tertiary education students, it is critical that the tertiary education workforce has the required skills and support to deal with challenging learners and is able to devise innovative teaching and learning strategies in both institutional and workplace settings.

There are many excellent examples of flexible and online learning initiatives, of workplace delivery and innovative practice, but these need to be expanded and 'mainstreamed'.

The tertiary education workforce also needs to continually develop skills in teaching, learning and assessment, in an environment that is characterised by increasing diversity and change. The tertiary education workforce also need to address individual learning styles and preferences including those of online learners, and be able provide support to disadvantaged learners as well as at risk groups. Working closely with industry and individual enterprises and maintaining current industry and professional knowledge will become increasingly more important.

Most education and training does not taking place within the workplace itself. Knight and Mlotowski state that only 6.8 per cent of recognised delivery in the public VET system in 2006 took place in the workplace, while 75.2 per cent was campus-based, 5.3 per cent was in online or other off campus modes, and the remaining 12.7 per cent took place in other modes.⁸

Creating a shared agenda on workforce futures in all areas of the economy

Governments alone cannot unlock skill potential at the individual or the workplace level. The establishment of new initiatives to encourage and support workforce development requires the engagement of many parties and greater cooperation across government agencies.

Australian public policy on workforce development is multifaceted, encompassing productivity goals as well as education, social inclusion and employment dimensions. Relevant policy areas include education and skills programs as well as industry innovation, workplace relations, employment services, infrastructure, social inclusion and regional development. All these areas have a contributing and reinforcing role. The need for connected actions between government agencies, particularly

⁷ Hugo, Graeme (2008), *The demographic outlook for Australian universities academic staff*, Council for Humanities, Arts and Social Sciences

⁸ Knight, Brian and Mlotkowski, Peter (2009), *An overview of vocational education and training in Australia and its links to the labour market*, Adelaide NCVET, p.34

across business capability and skill-focused programs, is the key to achieving effective and lasting change in skills development and skill use in the workplace.

There are two broad roles for the Australian Government.

First, many industry stakeholders have called on the Federal Government to play a leadership role in driving a new, cross-government workforce development agenda and bring the key stakeholders together. By communicating a strong message and insisting on a collaborative approach, efforts can be better coordinated and expertise shared.

Second, the Australian Government, through Skills Australia and the Department of Education, Employment and Workplace Relations, should be directly involved in skills planning at the national level, with a continuing responsibility for the provision of high quality information and a more refined and thorough focus on 'specialised occupations' and interventions.

While the labour market is generally quite effective in responding to changing skills needs and economic fluctuations, for some occupations there is potential for market failure because the labour market is less able to adjust quickly. This can lead to skills shortages or indeed the oversupply of skills. Skills Australia has established a methodology to identify these 'specialised occupations' and recommends that government efforts are best directed in these areas. This will help to insure the economy and the community against future skills shortages in those areas that are of high value and where skills take a long time to develop and acquire.

In the higher education sector, where the Commonwealth is the major funder, the Australian Government needs to negotiate performance and funding agreements with individual institutions that are consistent with Australia's overall skills and workforce planning objectives. Such agreements however would need to avoid compromising the entitlement-based approach introduced in response to the Bradley Review.

Tertiary education providers also have an essential role in partnering with enterprises in workforce development. This means being more than simply providers of educational services to individuals. Many institutions already offer holistic services linked to enterprise organisational developments and goals, but these activities need to be encouraged and facilitated so they become common practice.

Australia is already recognised as a leader in trialling innovative approaches in the emerging field of workforce development.

There is an opportunity to build on this position by establishing a centre of excellence or 'observatory' to disseminate advice on excellence in this field. Consistent with the objectives of promoting industry leadership and engagement, a clearinghouse of this kind should be independent of government agencies and engage in strategic partnerships with industry and professional groups.

The task of an 'observatory' would be to build a network of expertise to explore, promote and resource new knowledge and disseminate information on how best to harness workforce development to drive sustainable productivity growth.

Conclusion

If we are to achieve sustained economic growth, avoid future skills shortages and raise productivity by increasing and deepening the skills of the Australian workforce, we must urgently lift workforce participation rates.

This is particularly important for people who are not currently participating to their full potential, including those who are marginalised from the workforce due to a lack of skills including the foundation skills of language, literacy and numeracy.

There is also significant scope in Australia to improve the productivity of workplaces through better engagement with employees and the more effective use of skills.

Improving our workforce productivity and participation, and enhancing social inclusion, can also be achieved by ensuring we have a tertiary education sector that has the capacity to effectively deliver skills, as well as by encouraging a strong partnership approach to tackling these issues across government, industry, enterprises and the tertiary education sector.

Note: This is an edited extract from *Australian Workforce Futures – A National Workforce Development Strategy*, which was presented to the Australian Government on 5 March 2010 by Skills Australia. See www.skillsaustralia.gov.au