



World Class Skills for World Class Industries

Employers' perspectives on skilling in Australia Report to the Australian Industry Group May 2006

Introduction

The Australian Industry Group commissioned the *World Class Skills for World Class Industries* report on the perspectives of employers on skilling in Australia. This landmark report analyses the current state of skilling in Australia, develops an understanding of future skilling needs and provides a set of strategic policies to positively impact on skilling based on discussions with senior business people and a survey of over 500 employers.

Skills matter – for individuals, for employers and for nations. World class firms, which make up world class industries, are those that survive and prosper in an increasingly open global economy. At a very broad level, and using the indicator of productivity growth, Australian firms appear to have improved their standing against those in other countries in recent years, but Australian industry is not yet in aggregate 'world class'. This is the view of industry itself – only 18 per cent of over 500 employers say they are currently world class but almost all say that it is important for them to become world class in the near future. The study found that building the skill base is a key element of the strategy of firms to maintain and improve their competitiveness.

As one employer said:

"... the industry is now at the cutting edge of technology and there is much more frequent change that requires ongoing significant training of the workforce ... The industry needs to start attracting people who are keen to learn."

This study builds on and extends the previous Ai Group 1998 report *Training to Compete* which was based on a survey of 350 employers about the future skills and training needs of Australian industry.

Key Messages

The *World Class Skills for World Class Industries* report contains a number of key messages for the Australian economy.

The report found that:

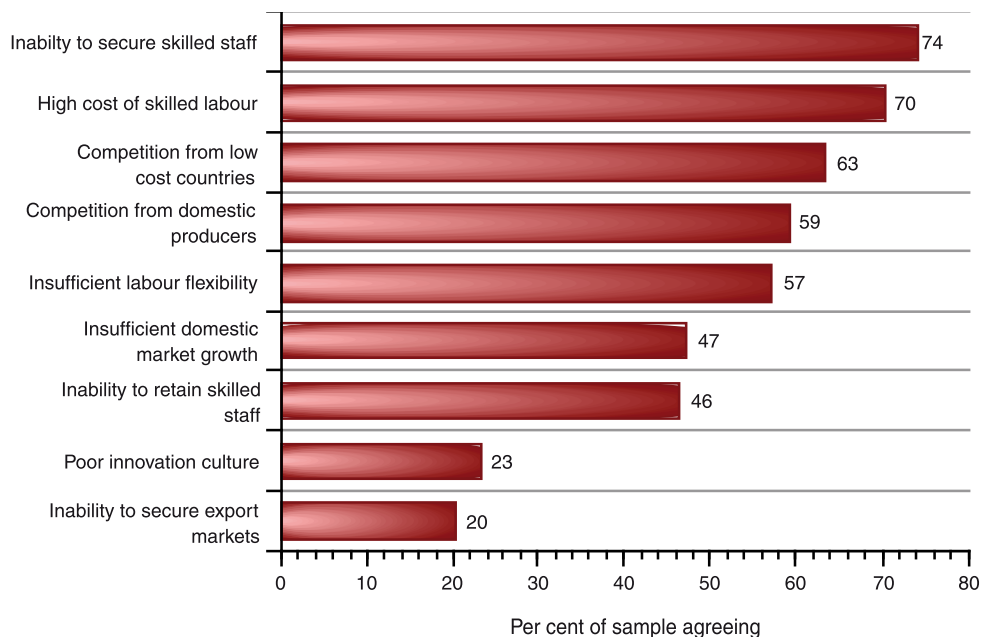
- Our future global competitiveness is built around skills.
- Australian firms have clearly recognised the importance of their skill base to their future success. 'Building the skill base' is the strategy most often cited (in 85% of survey responses) for remaining competitive in the next three years, after the broader approach of strengthening growth opportunities.
- 'World class' firms demonstrate the following skilling characteristics:
 - Their workforces are more highly skilled, including a smaller proportion of low skilled workers;
 - While all firms value employability skills very highly, world class firms put a higher premium than other firms do on technical competence;
 - While they are wrestling with skills shortages like all firms, they are significantly less likely to have trouble finding people with the right attitude, problem solving skills, pride in their work and appropriate work experience; and
 - There is no difference in the percentage of turnover devoted to training by world class companies but they are more likely to have formal skills assessment processes and workforce development plans in place.
- In their efforts to become world class Australian firms need to be supported by a world class training system and while there are examples of excellent skilling practice there remains scope for improvement.
- There are three main implications for future skilling identified in the report:
 - It points to a higher level of skills being required;

World Class Skills for World Class Industries

Employers' perspectives on skilling in Australia

- Skills will need to be updated more often than they have in the past; and
- A broader range of skills will be required.
- Employers have indicated that there will be a big-step up in their efforts to meet their skill needs more effectively over the next three years.
- Employers consistently commented that they increasingly need employees to be not only technically skilled but to have high level communication skills, the ability to work in a team and to manage and motivate others, the willingness and ability to understand and model firm values and culture, the willingness and ability to learn, the 'right' attitude and problem solving skills.
- In some areas, technical skills are becoming more firm-specific because of specialisation of production processes and so need very frequent updating as technology changes.
- Firms think that skill shortages will be a significant threat to their competitiveness over the next three years. Results from the survey show that the inability to secure skilled staff is the potential barrier to success cited most often by employers – in 74% of responses – ahead of competitive pressures at home and abroad.
- 52% said that insufficient government incentives are a barrier to training. Many employers noted the current bias in government support towards new entry-level recruits and the lack of recognition of the importance and wider flow on benefits of upskilling other employees.
- The main barriers to training appear to be the difficulty accommodating it around work demands, insufficient government incentives and issues with the training system, including a lack of flexibility and unavailability of relevant training.
- One significant issue raised in 1998 – the complexity of the system and difficulty of access to it – was not raised much by employers in this project, indicating that changes to provide employers with better information on the system may have been relatively successful.

Barriers to company success over next three years, Australian companies, 2005



World Class Skills for World Class Industries

Employers' perspectives on skilling in Australia

There are very few differences between the national picture and individual state pictures. This is the case both statistically and in the qualitative data gathered. As appropriate, comparisons are made throughout the report of the current findings with those of *Training to Compete*.

Summary of the recommendations

The report argues that skilling is a shared responsibility and that government, employers, employer associations and individuals all have a role to play and the recommendations reflect this.

In relation to the education and training system ...

(1) *Governments* should build on current reforms to increase competition in the training market to stimulate more responsive and flexible training delivery, while also protecting quality of training and equitable access. This will require: giving more buying power to the consumers of training (employers and individuals); reducing the restrictions on government providers; exploring options for partnering with industry in the provision of equipment and facilities; and requiring

information to be publicly available on a standardised basis about provider performance.

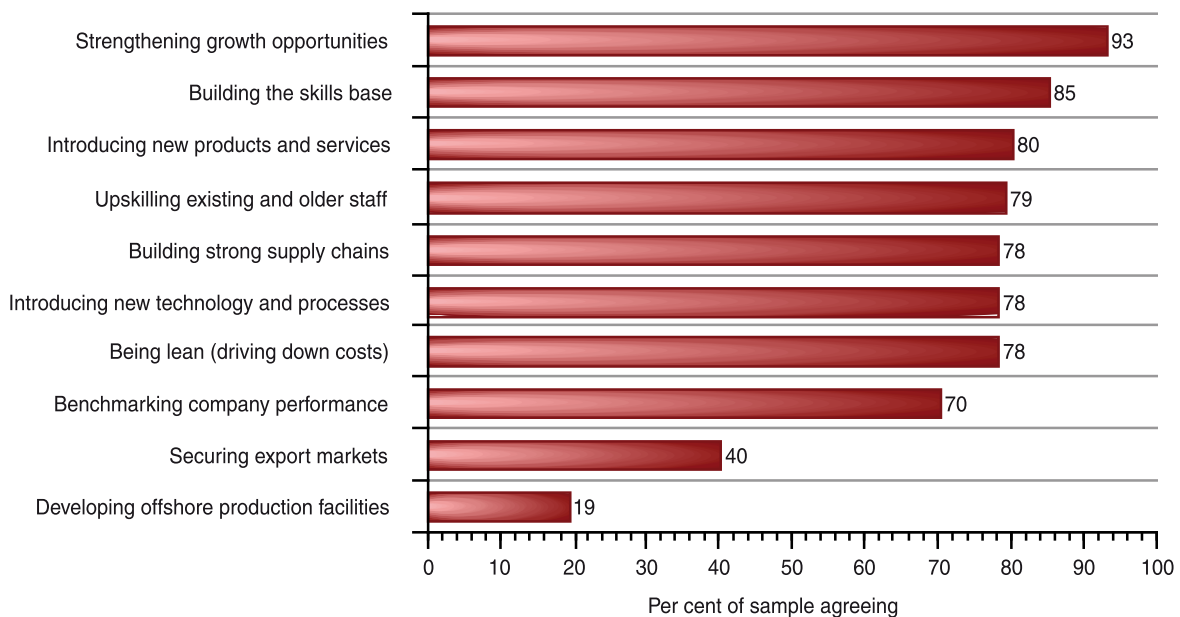
(2) *Governments* should continue to look at the training system, including under the auspices of the current COAG review, with a commitment to simplifying it, freeing it up and updating it, particularly to embrace both entry level and post-entry level training, to improve delivery and to increase the emphasis on employability skills.

(3) *Employers* should more actively seek out good training providers, better articulate their training requirements and fully use the flexibility that exists in the training system.

(4) *Governments* should provide funding for facilitation of small company training through existing structures such as Group Training Companies or employer groups where they exist, and for the provision of information and advice to firms on how to link their formal and informal training to best effect.

(5) *Employer groups* should provide more information, advice and services to employers on the training that is available and how to access it, and on training providers.

Strategies for remaining competitive over the next three years, Australian companies, 2005



In relation to shared funding responsibility ...

(6) *Employers* should commit to carry through with their plans for a step-up in training expenditure.

(7) *Governments* should provide more financial support to post-entry level formal training through mechanisms such as the tax system.

In relation to efforts by employers ...

(8) *Employers* should benchmark their skilling efforts to those of the most innovative companies, including by assessing and planning their skill needs as part of their mainstream business planning, thinking innovatively about how work can be organised and designed, examining how all parts of the potential labour force can be tapped and retained, and exploring how the training system can be used most effectively to meet their skill requirements.

(9) *Employer groups* should assist firms' more effective use of skills by extending the provision of information, advice, tools and examples of best practice in areas such as skills assessments and innovative work design, and by fostering formation of groups of employers interested in building their capability in this area.

In relation to addressing the image of industry and trade occupations ...

(10) *Employers* should sustain and increase efforts to form closer relationships with schools, other groups of young people, their parents and teachers to change the image of industry as a potential employer, and ensure that their own attitudes to potential employees reflect realistic assessments of capability. *Employer groups* and *governments* should continue to support these efforts.

Conclusion

It is clear that the majority of Australian firms surveyed recognise the importance of becoming world class in the near future and the importance of skilling in this process. In order to do this companies' workforces will need a higher level of skills, a broader range of skills and more frequent updating of skills, and Australian firms recognise this — 'building the skills base' is industry's most important strategy after 'growth' for remaining competitive in coming years.



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The key findings about employer perspectives on skilling indicate that:

- It is important to become 'world class' in the near future;
- Becoming world class requires higher level skills, a broader range of skills and more frequent updating of skills;
- Most employers now have difficulty accessing some skills they need in both technical and 'soft' areas;
- Structural factors are affecting the supply of skills; and
- Some employers are working harder to access the skills they need, but a bigger effort is required in the future.

As one employer expressed this:

"One advantage for any company is to be smarter and learn faster than the competition."

The report indicates the directions for the next wave of reform. These are:

- Key reforms to the education and training system and employers' use of the system especially a focus on post entry level training, increased provider competition to provide genuine choice and increased flexibility of training delivery;
- Increased investment by employers in formal training and government support for that investment through financial incentives and the taxation system;
- The adoption of more world class approaches to skilling by employers to improve their effectiveness with encouragement from governments and employer groups; and
- Increased efforts by employers to develop closer links with their communities to project positive images of trade occupations.

The full report can be accessed through the Australian Industry Group website: www.aigroup.asn.au

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