



Skilling the Existing Workforce

Consultation Paper
An Australian Industry Group Project

AUSTRALIAN INDUSTRY GROUP
SKILLING THE EXISTING
WORKFORCE
CONSULTATION PAPER

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The Skilling the Existing Workforce Project is a Commonwealth-State Skills Shortage Initiative funded through the Strategic National Initiatives component of the 2005-08 *Commonwealth-State Agreement for Skilling Australia's Workforce*.

1 Purpose

This Consultation Paper has been prepared to assist with formal consultations for the *Skilling the Existing Workforce Project*, which is being undertaken by the Australian Industry Group (Ai Group) on behalf of the Australian, state and territory governments.

The project has three remaining stages:

1. *Consultations*: on the ways we currently skill existing workers and possible future approaches and strategies to be trialled by enterprises.
2. *Trial approaches*: to test approaches to and develop models of skilling existing workers and produce case study reports.
3. *Evaluation*: documenting and evaluating the outcomes of trials and case studies and producing the case study programs.

This Consultation Paper contains a summary and the conclusions of a longer research report entitled *Skilling the Existing Workforce – Background Research Report* which should be considered as part of the consultation process. All project papers are available on the Ai Group website <http://www.aigroup.asn.au> and on the Australian Government Department of Education, Science and Training website at http://www.dest.gov.au/sectors/training_skills/

The Consultation Paper also sets out a range of issues for consultation to inform industry, training organisation and government approaches to workforce skilling, and as an input to the development of specific approaches and models for workforce skilling which will be tested and evaluated through enterprise level trials in 2007.

2 Executive Summary of Research Report

The Ai Group's report *World Class Skills for World Class Industries* highlighted the importance of workforce skills to the competitiveness of Australian enterprises. Based on extensive interviews and case studies with 500 companies, the report shows that firms are adopting a range of strategies to upskill and retrain their workforces.

The findings in the *World Class Skills* report are consistent with those in a number of major recent reports on the impact of demographic change on the Australian workforce, in particular the Australian Government Department of the Treasury's Intergenerational Report and complementary work by the Productivity Commission. These reports have also highlighted the importance of raising adult educational attainment and skills levels to improve workforce participation in Australia.

International studies, in particular by the Organisation for Economic Cooperation and Development (OECD), have reached similar conclusions. A particular priority in all of these reports has been to address the needs of adults with low educational attainment and skills levels.

The principle of lifelong learning has been advocated over the past decade but has had little practical effect on public policy in Australia. However the more recent reports, which have looked at the issues of educational attainment and skills in terms of their relationship with workforce participation, have strongly influenced policies and priorities at the national and state levels; in particular the Prime Minister's 2006 *Skills for the Future* Statement, decisions by the Council of Australian Governments (COAG) to raise levels of Human Capital in Australia through a range of strategies, and state and national priorities for Vocational Education and Training (VET).

Further consideration of reskilling the existing workforce requires an analysis and understanding of:

- How existing workers acquire new skills;
- The patterns of participation in skills development;
- Influences on participation;
- The changing nature of skills requirements;
- The importance of building broad competence in the workforce; and
- The growing importance of work-based learning.

2.1 Forms of Learning

Adults acquire new skills and knowledge through formal, non-formal and informal means. As people age, participation in formal learning declines and non-formal and informal learning becomes increasingly important. Research highlights the importance of informal and non-formal learning in workplaces through employer-sponsored training to existing workers, but the role and importance of this contribution is not sufficiently recognised in current policy.

2.2 Participation

Participation in all forms of learning and skills development is also strongly influenced by prior levels of educational attainment and occupational roles. More highly educated and better paid workers, those in full time employment, in larger firms and in the public sector have the greatest levels of participation in all forms of skills development.

Participation is also influenced by the attitudes of individuals and managers. Investment in skills development in enterprises is strongest when it is central to overall business strategies.

2.3 Changing Skills Requirements

There has also been consistent evidence in recent years, reflected in the *World Class Skills* report of increasing skills requirements in many jobs including major areas of occupational growth. The concept of knowledge work has also evolved. The *World Class Skills* report and many other studies also highlight the growing importance of broader generic or employability skills as well as higher levels of technical skills. This shift to higher and more complex skills is referred to as 'skills deepening'.

The OECD has defined the kinds of skill and knowledge required in the modern economy as 'Know-what, Know-how, Know-why and Know-who'.

Skills and knowledge are comprised of both codified knowledge -- that is knowledge represented in standards, curriculum and written procedures and texts - - and tacit knowledge, that is knowledge gained through experience, through working with others and through the application of codified knowledge particularly in the workplace. Codified knowledge is more commonly associated with formal and structured learning and tacit knowledge with informal and non formal learning 'Know how' and 'know who' is mainly represented through tacit knowledge. Learning by doing and applied learning lies at the heart of models such as apprenticeship and project and problem based learning.

Informal learning becomes more important as people age and is a common and powerful means by which tacit knowledge is acquired, applied and disseminated.

However, informal and non formal learning and the importance of tacit knowledge is not fully recognised in current policies affecting skills development.

Many firms are also increasing their involvement in formal learning through nationally recognised training.

2.4 Broad Competence

Competency-based training seeks to integrate codified and tacit knowledge through applied learning, but it is essential that competence is defined in terms of the future skills requirements rather than just specific work roles and current and past work practices. Competency outcomes should be based on world best practice and help individuals and groups to continually build broad skills and capabilities through all forms of learning and skills development.

2.5 Workforce Skills Development

A *workforce skill development* approach has been adopted for this project as a strategy covering all forms of learning and skills acquisition using informal, non-formal and

formal learning and a blending of these approaches where appropriate rather than the sole reliance on the traditional and formal definition of VET.

If workforce skills development approaches are to be adopted and implemented in Australia, priorities must be set, roles and responsibilities clarified and new and innovative policies and strategies at the system-level and specific strategies at the enterprise level must be developed and adopted to build upon innovative practice that is occurring in this arena.

3 Research Conclusions

1. Recent policy developments confirm that skilling the existing workforce is increasingly important for a range of reasons including:
 - the consequences of the trend of the ageing of the population and the resultant need to retain existing workers;
 - the lack of post-school skills and qualifications acquisition by many existing workers;
 - the rapidly changing nature of skills required in the modern workforce; and
 - the need for a highly skilled and flexible workforce to help ensure that enterprises become and remain competitive in an increasingly competitive global market.
2. Forms of learning for existing workers are varied and include training provided as a part of the national vocational education and training system, but also include learning acquired through non-formal and informal experiences.
3. Informal and non-formal approaches to learning are increasingly important as learners age but these forms of learning are not well recognised in current policy settings.
4. Skilling the existing workforce requires a broad approach that can be referred to as a *workforce skills development* approach. This approach should incorporate all forms of skill acquisition through formal, non-formal and informal learning experiences.
5. There are many factors which influence participation in and patterns of workforce skills development. It is important to be aware that participation declines with age and that there are inequalities in the access of existing workers to workforce skills development opportunities. Decisions to invest in training are driven by the needs of enterprises and the linkage between business and training strategies.
6. Workforce skills development approaches need to be aware of the influences on and patterns of participation, embrace both codified and tacit knowledge, recognise that the workplace is an increasingly important learning site, adopt broader notions of competence that are directed towards capability rather than task completion and utilise a workplace learning pedagogy that reflects these requirements.

4 Issues for Consultation

This section of the paper is designed to provide a framework for consultation on the analysis in the report and the issues arising from the analysis. Comment is sought in three broad areas:

1. Comments on the analysis.
2. Priorities for workforce skills development.
3. Roles and responsibilities of government, industry and individuals for workforce skills development; and specifically,
 - a. enabling strategies, and
 - b. enterprise level strategies.

These issues are mainly relevant to the focus of this paper; workforce skills development through enterprise and work-based learning. It is recognised that there are many adults who will need to access learning and skills development through other pathways and other priorities and strategies to help boost workforce participation and skills levels.

Outcomes from the consultations, particularly in relation to effective strategies at the enterprise level, will help to inform the selection of enterprise level cases studies of effective workforce skills development in enterprises.

4.1 *Comments on the analysis*

The research report identifies and analyses a range of major research findings and policy issues about skilling the existing workforce, including advocating the adoption of more comprehensive workforce skills development approaches.

Issues for Consultation

1. *Does the Report adequately address the major issues we need to consider in addressing the issue of workforce skilling?*
2. *What additional issues should be considered and what evidence - based on research or experience - is there in relation to those issues?*
3. *Is the concept of workforce skills development a useful approach - what other approaches or frameworks might we consider?*

4.2 *Priorities for Workforce Skills Development*

The report suggests that there are some important priorities for governments and other key stakeholders to improve the level and effectiveness of workforce skills development in Australia. The suggested priorities are:

- a) To improve the level of participation in workforce skills development by those with low skills;

- b) To increase the proportion of workers with high skills levels including workers moving from low to high skills levels;
- c) To more effectively link formal, non-formal and informal learning through workforce skills development;
- d) To improve information flows about and understandings of workforce skills development;
- e) To build world class skills outcomes for individuals and enterprises through high quality workforce skills development.

Issues for Consultation

- 4. *Are these appropriate priorities for workforce skills development?*
- 5. *What other priorities might be considered and why are they important?*

4.3 Roles and responsibilities of government, industry¹ and individuals

Workforce skills development strategies involve varying degrees of responsibility for government, industry and individuals which must be underpinned by a clear policy framework, particularly in terms of the role of government.

At the outset it must be recognised that workforce skills development is primarily a responsibility of enterprises (in terms of the relative investment in skills and training) and of individuals particularly as far as informal and non-formal learning is concerned and particularly for those in the workforce with high levels of educational attainment.

However, some elements of workforce development are more of a shared responsibility between governments, industry and individuals particularly in terms of publicly funded and/or publicly regulated education and training including Vocational Education and Training.

A clear public policy framework to guide governments' involvement in workforce skills development could focus on the areas of greatest public benefit and to redress current and potential market failure:

- 1. By targeting public funding to maximise the public benefit including where there is under-investment in training and/or disincentives to invest;
- 2. By ensuring that public funding is driven by client (enterprise and individual) and not provider need;
- 3. By helping to create informed demand by improving information flows about workforce development;

¹ Industry for the purposes of consultation includes enterprises and industry associations.

4. By ensuring that regulation and quality assurance is appropriate and drives continuous improvement in workforce development;
5. By helping to train a high quality training and development workforce.

Issues for Consultation

6. *What should be the relevant roles and responsibilities of government, individuals, enterprises and industry associations?*
7. *Is the suggested framework for government involvement appropriate in terms of the objectives for workforce skills development?*

4.3.1 Enabling strategies

There are some important *enabling* strategies which governments, together with industry and other stakeholders, could consider to assist enterprises and individuals to improve participation in, and outcomes from, workforce skills development. These include:

1. Developing tools and methodologies to assist enterprises to assess their workforce skills needs.
2. Helping to raise the quality of both formal and non-formal workplace learning through ongoing training of relevant staff and assisting training organisations to become high-quality workplace training delivery providers.
3. Building strong linkages between non-formal and formal learning, for example considering pathways from non-formal and informal learning to formal learning in developing workplace learning programs, and creating tools which enable individuals to accumulate and record evidence of outcomes from non-formal learning for subsequent Recognition of Prior Learning.
4. Helping to build networks and intermediaries, for example between Human Resource practitioners and Registered Training Organisations.
5. Raising awareness of the importance of high-quality workplace learning.
6. More flexible funding arrangements to increase the level of, and links to, enterprise level workforce skill development strategies².

² For example some nationally recognised their qualifications which are substantially workplace delivered such as Competitive Manufacturing can only be provided on a fee-for-service basis in some states even though the outcome needs to a nationally recognised qualification. The same or equivalent qualifications delivered within an RTO to individual learners may qualify for high levels of public subsidies leading to distortions in how and where the program is delivered.

7. Creating more flexible qualifications structures including simpler and more transparent mechanisms whereby learners can accumulate credit towards full qualifications by integrating formal and non-formal learning.
8. Ensuring that definitions, design and delivery of competency standards and qualifications are consistent with international best practice and international benchmarks with a focus on building the broad capabilities of individuals and the workforce generally.
9. Further targeted investments such as the Workplace English Language Literacy Programme, the Australian Skills Vouchers Programme and state programs aimed at building literacy and numeracy and learning foundations skills amongst the low-skilled to boost participation in formal and non-formal learning amongst the low-skilled in workplaces.
10. Exploration of expanded government involvement in structured non-accredited learning and training in areas of high and immediate need by working with industry associations and other intermediaries, for example in assisting with the introduction of new technology associated with reduced greenhouse gas emissions; assisting managers and employees to address new regulatory requirements³.

Issues for Consultation

8. *Are the strategies outlined above appropriate enabling strategies to help improve participation in and outcomes from workforce skills development?*
9. *What enabling strategies might be considered?*

4.3.2 Enterprise Level Strategies

The research report sets out a range of workforce skill development strategies for enterprises. Following the consultation process, some of the strategies will be the focus for trialling of specific models and approaches at the enterprise level, in particular new and innovative approaches in areas such as the integration of formal, non-formal and informal learning. Some strategies being used at the enterprise level are:

1. Undertaking comprehensive workforce skills needs assessments.
2. Fully integrating workforce development into business strategies and plans.

³ For example the Australian government's Farm Biz program and state agriculture Departments agriculture extension services which have delivered highly specific and contextualised training programs over many years. In the United States, the Federal and State Labor Departments support a wide range of extension programs for both enterprises and individuals.

3. Setting and monitoring clear targets and benchmarks for required skill-levels within the enterprise to deliver on its business goals.
4. Developing individual learning plans for employees encompassing both informal and formal learning linked to career paths and employee goals.
5. Developing management roles and accountabilities which clearly set out managers roles for workforce development for individuals and workgroups.
6. Using workforce development strategies as a key element in employee attraction and retention strategies.
7. Employing strategies to more effectively link informal and non-formal learning to formal learning by:
 - Ensuring that informal and non-formal learning strategies result in high quality learning outcomes, for example through the use of highly relevant and quality learning materials, the use of appropriately trained staff or external providers and ongoing processes for employee evaluation and feedback on the quality and relevance of learning;
 - Linking employee appraisal methods such as 360 degree feedback to ongoing learning and professional development;
 - Integrating project and problem based learning approaches in job design and work organisation to address specific enterprise needs;
 - Developing employee learning portfolios to record and accumulate outcomes from formal and informal learning as the basis of Recognition of Prior Learning;
 - The use of workplace mentoring;
 - Developing partnerships with Registered Training Organisations able to link programs to enterprise needs and build confidence in outcomes from informal and non-formal learning for the purposes of Recognition of Prior Learning.
8. Developing networks of practitioners to share knowledge and experience and examples of successful practice.
9. Adopting strategies to broaden participation in workforce development strategies at the enterprise level by specifically targeting low-skilled and employees with language literacy and numeracy needs and developing highly relevant accessible and “non threatening” programs employing informal and non-formal learning techniques.
10. Extending access to workforce development programs to casual and part-time employees where it is currently not available.
11. Working with suppliers, contractors etc to develop workforce skills in commonly required areas through supply chains, vendor training etc, quality systems etc.
12. Developing strategies to identify, capture, apply and disseminate new knowledge generated through workforce skills development as part of productivity and continuous improvement strategies.

- For example ensuring that project and problem based learning outcomes are properly recorded and their effectiveness in changing enterprise practices properly evaluated. Participants can then be encouraged and assisted to disseminate and apply new knowledge by themselves becoming workplace trainers and/or mentors within the enterprise.

Issues for Consultation

10. *What strategies are most effective in stimulating interest and participation in workforce skills development?*
11. *What strategies are RTOs using to the development of the skills of their own workforces, particularly in working with enterprises?*
12. *Are the enterprise level strategies listed above appropriate?*
13. *What additional strategies could be considered and in particular, new and innovative approaches to workforce skills development?*

4.4 Other Comments

Are there any other comments you wish to make in addition to these questions?

5 Next Steps

Through the consultation process on this report it is proposed to:

1. Discuss the analysis with a view to building understanding of the key issues involved in workforce skilling and workforce skill development;
2. Consider and assess the suggested system level strategies as the basis of input by the Ai Group to policy development in this area;
3. Consider and assess the suggested enterprise level strategies as the basis of the development of specific approaches and models which can be tested and evaluated through enterprise level case studies.



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