



Skilling the Existing Workforce: Unlocking productivity in your business

Australian companies are turning to their existing workforce as the source of much needed skills. Current economic conditions and the need to do more with less will only serve to increase this trend. The traditional boundaries of training are being ignored at the business coalface. Today, businesses are drawing on the full range of skilling options available to them which includes the institute-based training that fits within their strategic direction and also a diverse mix of other options such as mentoring, coaching, in-house training and informal learning.

In the wake of the global financial crisis and the resultant economic slowdown, companies are revising their businesses plans, cutting costs and lowering employment.¹

Previous experience suggests that in tough economic times business' expenditure on skilling comes under pressure. We must learn the lessons of the past and take all steps possible to avoid a repeat of the cycle which sees reduced training expenditure in an economic downturn followed by chronic skill shortages in an upturn.

As a skilled workforce remains one of the key competitive advantages for business the Australian Industry Group (Ai Group) has been considering the implications of the economic slowdown and practical responses for industry.

We recently completed a project* looking at the way Australian businesses are working with their workforce to develop the skills needed to remain competitive.

Our research shows that nearly all businesses are engaged in the skilling of their existing workforce in some form, whether through formal training such as off-site or in-house training courses or through more informal skilling methods such as coaching and mentoring.

Skilling the existing workforce has emerged as a critical priority for Australian industry and Australian governments. Ai Group has been instrumental in broadening the policy focus of government and there is now a recognition in public policy

settings of the importance of continuing to encourage and support the skills development of existing workers. A next step is to better link the many and varied approaches enterprises take to skilling their workers and to have this diversity recognised in public policy, including in resource allocation.

Skilling the existing workforce is the most effective method of meeting skills needs

In April 2008 Ai Group asked almost 500 companies to identify the most effective means of meeting skills requirements. Across both firm size and industry sectors, the retraining of existing staff is considered the most effective method for meeting current skills needs (61.2%). This is almost twice as high as the number who favour taking on and training unskilled staff, the second most popular method (30.4%). Manufacturing firms are the strongest proponents of retraining existing staff (83.4%) and smaller firms are more likely to look within their organisation for solutions to meet skills shortages.

CEOs were asked which methods their business had used to introduce new skills to existing employees. More than three-quarters (76.7%) of respondents confirmed using informal in-house training sessions to introduce new skills to their existing workforces. More than half of the respondents indicated they use formal training to introduce new skills (61.0% externally and 54.7% in-house). Mentoring (44.8%) and vendor training (24.8%) are less frequently used methods of upskilling.



Why skilling the existing workforce is so important now

There is a strong set of economic and demographic reasons behind the focus on skilling the existing workforce:

- The ageing of the population has resulted in the need to retain existing workers;
- A large proportion of the existing workforce does not hold post-school qualifications;
- The skills required in the modern workforce are rapidly changing and developing; 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 has been widely recognised.

Taking a strategic approach to Workforce Skills Development

The skilling activities undertaken by enterprises are collectively referred to as Workforce Skills Development. These are driven by, and linked to, broader enterprise business and human resource objectives and strategies.

Workforce Skills Development refers to strategies and programs which increase the skills, knowledge and capabilities of individuals, and groups, in the workforce and those seeking to enter the workforce. It includes formal, accredited education and training programs and informal training including on-the-job training related to the introduction of new technology, compliance and quality assurance, coaching and mentoring, job rotation and professional development.

Key Findings

Workplaces are key sites of learning

The project identified that workplaces are becoming increasingly important sites of learning. Companies are using their own resources or working in partnership with education and training providers, workplace trainers, facilitators, and through change management and continuous improvement processes.

Skilling the existing workforce is a major priority across industry

The development of the skills of the existing workforce is a major priority for Australian businesses and all of the enterprises involved in the project used a range of approaches to skills development.

The challenges of delivering effective Workforce Skills Development were greater with small and medium size enterprises particularly those facing significant competitive pressures requiring cost reductions and productivity improvements.

Companies demonstrate a strong willingness to invest in all levels of Workforce Skills Development where there is a clear link between skills development and broader enterprise strategic goals.

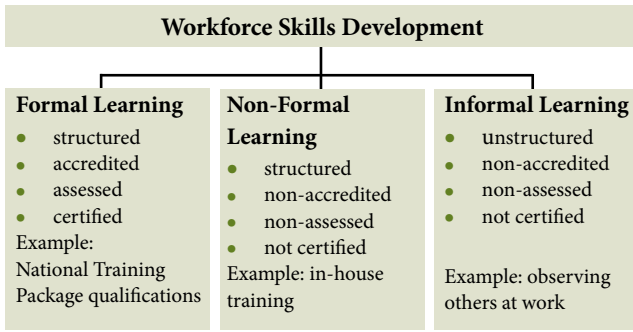
Workforce Skills Development effectiveness is significantly improved when certain pre-conditions are met

The lessons of this project indicate that a Workforce Skills Development approach is most effective when certain pre-conditions are met including when there is:

- A clear linkage between Workforce Skills Development and the broader enterprise business goals;
- Implementation as part of the overall business processes of the company;
- A clear identification of skills needs by the enterprise;
- Support for the approach by senior management, including senior management beyond training and human resource departments within larger organisations;
- Proper resourcing;
- A preparedness by company employees to undertake the training;
- An adequacy of employees' English language literacy skills;
- A capacity by external and internal education and training providers to understand the broader business needs and drivers of the enterprise and the skills needs which flow from these drivers; and
- A capacity to provide skills recognition and training services that meet these needs in a way which has least impact on cost and productivity.

Enterprises need independent, quality advice to underpin skilling decisions

To achieve many of the pre-conditions set out above, enterprises need access to high quality information and advisory services. This includes effective identification and analysis of their current and future skilling needs and information and advice about potential skilling providers. Often enterprises needed assistance to come to terms with these issues and external advisory services played a very important role in this regard.



Low levels of workforce literacy limit workforce effectiveness and hamper future skilling efforts

The project confirms the importance of workforce English language and literacy and provides a practical demonstration of the impacts of widespread literacy difficulties on Workforce Skills Development. The project found that a large proportion of the workforce did not have adequate literacy, numeracy and problem solving skills to operate effectively in the workplace.

Registered Training Organisations need to build their capacity and capabilities

Enterprises were prepared to use Registered Training Organisations (RTOs) when appropriate to their workforce skills needs and when the RTOs could demonstrate a capacity to understand and meet these needs. There was a preparedness to use RTOs particularly when valued relationships had already been established.

Informal workplace skilling efforts need to be better supported

In many instances, enterprises met their higher level needs through workplace-based non-formal and informal learning, particularly in relation to technology and products specific to the enterprise.

Demand is strong in base and entry level technical and occupational qualifications across the existing workforce to support multi-skilling, for language and literacy programs and employability skills including communication.

Demand for workplace trainer and assessor and front line management skills to improve the quality of informal and non-formal workplace learning is also evident. Knowledge transfer from experienced and retiring staff is a priority issue that is gaining importance but strategies to achieve this are not yet evident on a systematic basis.

Industry competency standards are important building blocks

The project findings highlight the continuing importance of industry competency standards as benchmarks for skills assessment, recognition of current competence, quality assurance and consistency.

Project Recommendations

This project identified a clear set of recommendations.

Develop a Workforce Skills Development Advisory Network

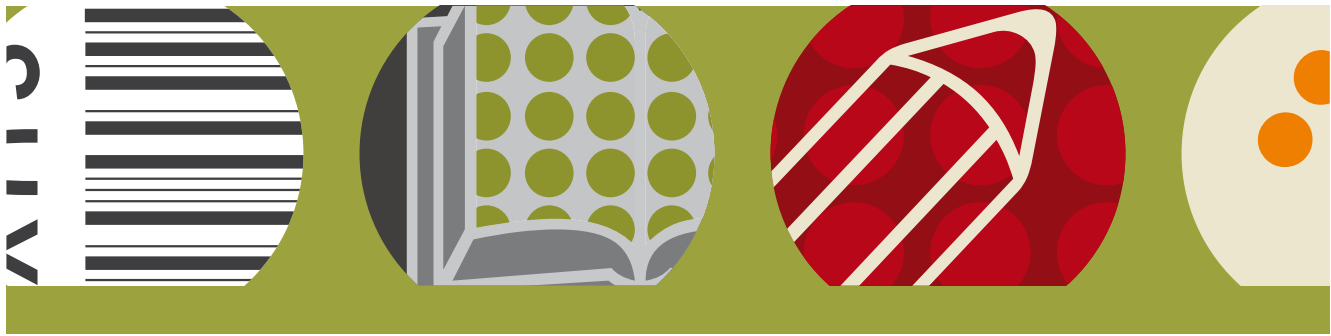
The importance of advisory and brokerage services demonstrates the need for a ‘case management’ approach to Workforce Skills Development. Under this model independent advisors would work with enterprises to:

- Provide advice to enterprises to link Workforce Skills Development to broader enterprise business and HR strategies;
- Develop tools to assist return on investment;
- Undertake initial analysis of skills needs;
- Develop strategies to encourage and support employee participation;
- Assist in the development of enterprise and individual learning plans;
- Provide advice to support the building of the internal capacity of enterprises to improve Workforce Skills Development (e.g. by training managers and experienced workers as coaches, mentors and workplace trainers and assessors);
- Assist the enterprise to access relevant programs and services offered by RTOs and to make informed choices and judgments about those programs and services; and
- Develop tools to assess and monitor implementation and outcomes.

Establish a Workforce Skills Development Fund

A more flexible and responsive approach to public funding is required to support the services provided by a Workforce Skills Development Advisory Network. A Workforce Skills Development Fund is required to address identified enterprise needs with the assistance of the Network. When the pre-conditions for successful Workforce Skills Development are achieved, the Development Fund would be activated and flexibly applied in direct response to the enterprise needs including:

- Building the capacity of enterprises to upskill and reskill their workforces by developing coaches and mentors;
- Improving the skills of nominated workers to provide formal, non-formal and informal skilling through nationally recognised training and assessment units and qualifications;



- Developing a skilling plan to support the organisations’ strategic plan;
- Conducting a comprehensive skills audit, aligning to national training packages and skills gap analysis;
- Negotiating of suitable formal training and ensuring the RTO delivers what is required and at a time to suit enterprise needs; and
- Measuring the return on investment.

Establish a National Workforce Literacy Strategy

The importance of the core enabling skills of language, literacy and numeracy to underpin the skills required for the existing workforce emerged consistently throughout the trial sites and case studies. The absence of a national literacy strategy seriously undermines strategies to skill the existing worker. A national strategy is needed to refocus, enhance and expand the current language, literacy and numeracy programs and to provide opportunities for industry to provide advice on expectations and funding allocation.

Build Understanding and Capability in Registered Training Organisations of Workforce Skills Development

There is growing recognition within RTOs about the concept of Workforce Skills Development but effective responses by RTOs to enterprise needs in relation to existing workers need to be assisted by:

- RTOs taking a more systematic approach through professional development;
- RTOs forming and/or extending industry partnerships to facilitate the placement of teachers and trainers in enterprises; and
- RTOs participating in the Workforce Skills Development Fund.

Increase Priority for Investment in Workplace and Organisational Learning Programs

There is a need to increase investment in programs that build the capability of enterprises to deliver skilling programs. These programs include Frontline Management and targeted qualifications and skill sets designed specifically to meet the needs of enterprise staff who have a significant role in skilling existing workers.



Continue to Advocate and Support Flexible, Demand and Outcomes Based Funding

To respond to identified skills needs, the current policy direction for demand and outcomes based funding must be maintained and translated into major and sustained change. This will only be achieved through additional funding which reflects identified industry skills needs, and is not limited to skills shortage categories.

* The project

To fully explore the issue Ai Group, with the support of the Commonwealth Department of Education, Employment and Workplace Relations, undertook the Skilling the Existing Workforce Project which included the development of a major background research report on skilling the existing workforce; a national consultation process and trials of, and case studies, into enterprise experiences with skilling the existing workforce.

Reports prepared for the phases of the project are available through the Australian Industry Group website www.aigroup.asn.au