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### **'Workforce Futures'**

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### **Transcript**

**Geraldine Doogue:** Well there is plenty of good news doing the rounds these days, as you know, about the Australian economy, largely because of its enmeshing with China, about which we spoke earlier in the program. But before we get too complacent, a new report suggests that we have some difficult questions to ask about the future of the Australian workforce, that will, after all, be the handmaiden of this supposedly golden era to come.

Yesterday, Skills Australia handed over a report titled 'Australian Workforce Futures' to the deputy prime minister, Julia Gillard. It's an independent statutory body established to provide advice to the government on future skills.

It poses, and tries to answer, some crucial questions: what will Australia's employment profile look like in 2025? How can we best meet our future skill needs, let alone plan to maintain them for current purposes? And what jobs should we be planning for in the future?

Well two people who've utterly immersed themselves in the project joined me yesterday morning in the studio, just after they handed over their report.

Philip Bullock is the chair of Skills Australia. He's a former CEO of IBM, and Heather Ridout, who sits on the board with him, is CEO of the Australian Industry Group, and I welcomed them to the program.

Both: Thank you. Nice to be here Geraldine.

**Geraldine Doogue:** Philip, what are some of the key findings in the report?

**Philip Bullock:** Well I think there are about three or four key ones. I think the first thing is that an understanding that the market really takes care of about 80% of most of the challenges. So in other words, don't try and forecast for every eventuality, just worry about a sub-set of occupations and focus hard on those. The sub-set we're talking about are things which take a long time to train for and if you don't actually plan for them well, like nurses or

engineers for example, or plumbers or technicians, then you will have issues with the economy. So that's the first thing.

And the second thing is that we need qualifications, so we need more people coming through the tertiary sector, and we do feel that the tertiary sector needs to be expanded by about three percentage points between now and 2025, so increased numbers of qualifications. And really, the other one which is—two in fact—one is we need more people in the workforce, so we need to lift our participation, and of course one of the ways we can do that is remove some of the barriers, and the key barrier is numeracy and literacy and our ability of people who want to get into the workforce and those who are in the workforce, to be able to upskill and take future jobs etc.

**Geraldine Doogue:** Well I have to confess to you, I found this the most disturbing part of the whole report, that you estimate, I think I'm right, that 60% of people in existing jobs don't necessarily have—correct me if I'm wrong at any point—the complete facility with literacy and numeracy to enable them to move to the next stage of work?

**Philip Bullock:** That's actually not quite as high as that. It's 40% in the workforce, but 60% out of the workforce. So the unemployed and those who are trying to get in. The study was done by the ABS, the Australian Bureau of Statistics, they did a study in 1996, and another one in 2006, so a 10-year comparison, and it was actually, if you like, lined up with other worldwide studies, so we can compare ourselves to New Zealand, the UK and Canada, and they found around 40% of those in the workforce had numeracy and literacy skills which really aren't at the stage to allow them to be fully effective, and Heather and the AIG group have done some great work in terms of what that really means. But more importantly also, there's 60% outside.

**Geraldine Doogue:** This is in Australia?

**Philip Bullock:** No, it doesn't mean they're not functioning, it means that as a male I might be in a job and I'm in my late 40s, and the job needs to change, I need to be re-skilled. Well I may not either have the capability or necessarily the desire to re-skill.

**Geraldine Doogue:** Well let me ask Heather, what does it mean Heather?

**Heather Ridout:** Well look 75% of our members in the survey we've just done said their business is affected by low literacy and numeracy levels. There are 7 million people in the Australian workforce that just can't do it. They can't read standard operating procedures for example, which leads to all sorts of safety issues and poor use of machinery etc. And if I could read you an example of what people can't read. A standard operating procedure might be; the heading might be 'Personal Protective Equipment Is Required'. Well what can't be read or understood: the words 'personal protective equipment required', so that's not understood or be able to be read. Hearing protection—the word 'protection' can't be recognised or properly understood. That means you have huge safety issues in the workplace. You have a number of companies for example reporting that the inability of employees not to be able to read drawings is causing people to drill the wrong-sized holes; they're cutting steel but not properly, and there's a whole host of examples.

**Geraldine Doogue:** And is this because of the increasing ICT (information and communication technology)?

**Heather Ridout:** No. You can't say that not being able to read the word 'protection' or 'protective equipment' is caused by ICT, it's caused by bad education and the fact that people

haven't been picked up when they've fallen through this sieve. And at the moment we have some good programs around workplace literacy, but they only get to about 6% of the people.

**Geraldine Doogue:** Do other countries spend more on this?

**Heather Ridout:** Oh, they do, they do. I mean we're not the only ones that have this problem, although we don't rate particularly well, and this is internationally comparable data. But I think our group is doing this major study now; rather than have the top-down, education-down approach, we're trying to figure out strategies that work at the workplace level that you can put in place. So this survey, which we haven't yet released, but 75 of the companies who said it was affecting them, there are a whole lot of issues frequently cited were the poor completion of work documents and time wasted through repeated work because they get it wrong. Companies saw a role for government, but they also think that they've got to have a role in it, and only 8% of companies believe they had adequate capacity themselves to deal with this problem because it's quite a tricky one.

**Geraldine Doogue:** And what about migrant workforce, is that contributing?

**Heather Ridout:** It has contributed to it, but it's actually improved because we've been lifting the skill levels and the language requirements of migrants, it's actually got better, while it's still a problem, it's improved, whereas the Australian-born component is not so good. So I think the kids coming in will hopefully be better, but if we're going to have a focus on the existing workforce, it is a really big issue that has to be dealt with.

**Geraldine Doogue:** And Philip, another key area is the employment participation rate, it's flatlined, as you were saying. Why has this happened?

**Philip Bullock:** Well I think in terms of—just before I answer that can I just also—we actually can do something about numeracy and literacy in the workplace. New Zealand for example had a national plan if you like in 2001, and between 2001 and 2006 they improved by 7%. So it is a difficult issue, it does require funding, and what we're saying is 'Look, if the states and the federal government decide this is an important issue, and we believe it is, then we need to be able to set targets, we need to be able to put funding behind it.' And I think we can. As Heather's already pointed out, this is an issue which can be addressed, and we feel should be addressed, because once you do that, going back to your question on participation. See the current participation is around 65% but when you dug underneath it, you actually find when we compare ourselves to like other OECD countries like the UK, Canada, New Zealand, France, etc, we're actually under-performing in three key sectors. And they're not sectors that maybe you and I would have kind of naturally gone to, but men of prime working age, in other words men between the ages of 25 and 64, we're actually about the tenth lowest in terms of participation rates. Now that is basically, partly attributable to the fact that we've moved as a country, whilst we still have a large manufacturing base, we've also grown the services. So manufacturing by necessity has been largely male-dominated, so again, the fact we've lost a lot of those workers and we haven't been able to re-skill and bring them back into the workforce. Another sector in which we under-perform is the over-55s. Again, relative to the UK and New Zealand for example, we're down. And the other one which you most likely would be women between the ages of 24 and 34, which is the 'child-bearing age', and we're about tenth, in the list of 30 countries we're about tenth from the bottom in that area in terms of participation. So we actually say 'Look, if we target those three areas, and bearing in mind we've also got the whole lower socioeconomic group and indigenous work that's going on, we can actually bring the participation rate up to around 65 to 69.'

**Geraldine Doogue:** That's your magic number.

**Philip Bullock:** That's the kind of magic, magic in the sense that if you get to that level by 2025 then what that does is it gives you more workers in the workforce, therefore more opportunity to have skills, and therefore hopefully, not only does it drive the economy, but it also brings in a lot of people who are sitting on the margins. So that's all good.

**Geraldine Doogue:** Heather, in the paper you question if there's a need to shift the focus from a one-dimensional skill or job solution to a broader workforce development approach. Now what are you getting at there?

**Heather Ridout:** Well I think you can provide skills, and you can give people qualifications, but if they're not aligned with a job, with employment, often that can be dissipated, and there's plenty of examples of that. So that requires employers to utilise those skills, for the job to be there and for the skill to be utilised. We've found in this report that something like 30% of people are in jobs where their skills aren't being utilised fully, or properly, and that's disillusioning for the individual and it's a waste of productivity for the employer.

So what we're saying is that we have to lift the skill level, we have to lift it in a way which is aligned to the needs of the workforce, and then we have to build the partnerships and the knowledge in industry to actually utilise those skills well. So it's not a mono-dimensional approach and I think that will make it successful. There's plenty of examples.

**Geraldine Doogue:** Well give me an example; where might this occur?

**Heather Ridout:** Well I think it can occur, all of us have young kids that are graduates, they go into jobs as receptionists, and you think; Why have you spent 12 years at school, three years at university to be a receptionist? That's one example. You might have a person who's done a trade and ends up in quite a different position. It might be in a job where he doesn't get to exercise those skills. There's many, many examples where people's knowledge is not properly utilised. Now it often happens in smaller companies where they probably don't have the HR resources to be able to fully understand the skills that their employees have, and then to match them with the job. So this is one of the big opportunities. As Philip says, we have lack of comparability and participation rates across a broad spectrum of our workers; we have under-utilisation in skills; and if we work on all of these, under this big organising principle of getting this participation thing up, I think it can be quite successful.

**Geraldine Doogue:** I suppose Philip, it's interesting, neither of you have mentioned, and I don't think it's in your report, this phrase 'work intensity', which I think is a very interesting way to describe from my *Life Matters* interviewing days, that that's what occurs, that the workplace has become a much more intense place, and a lot of people who got out of the workforce, particularly say women to have babies, looked on at their friends who'd stayed in it and thought, Oh my god, I'm not going back to that. It's a madhouse. Because it was multiskilling and so on and so forth. Which I presume would be there in the services sector, and you say that there's been this considerable shift from manufacturing to the services sector. How do you stand beside people, really stand beside them, and help them back into that type of work intense sensibility, which really I think is very forbidding for a lot of people.

**Philip Bullock:** Well I think the first thing I'd say is the fact that other countries have higher participation rates says that yes you can, yes we can do it if we focus on the specific issues for each individual worker.

**Geraldine Doogue:** So it's pretty labour-intensive, it's one-on-one stuff.

**Philip Bullock:** And I'm hopeful that some of the work with Heather and the AIG will do in numeracy and literacy I think we'll find you'll get down to individuals because the fact that

I've been trained in a certain job, and then that job goes away, a plant closes, the Mitsubishi plant in South Australia closes. Now what was done there was they actually took the individual workers, looked at their skillsets, and then said, 'Well they're kind of a 'mechanic', can we make them a diesel mechanic and train them for the resources sector?' So you can do it if you put the time and effort into understanding the skillsets, what the gaps are and where the real opportunities are.

**Geraldine Doogue:** It's highly intelligent work isn't it, because you've actually got to look at people and almost get beyond their job description to the talents they bring.

**Heather Ridout:** The capability they have. It's a broader issue of capability. Just because you can make—if you can make glasses, you can make a whole lot of things out of glass. You have the capability that gives you that, it's not a natural thing, it's looking at people's capability in a much broader sense, and I think the skill issue should be about building capability anyway, because people are going to have to have much more than one career, six or seven it's at now, so you need to get that broad basis of capability that you can keep acquiring. That's why the literacy thing is so important, because if you don't have that, it's very hard to build those other skills on top of it, so this concept of capability is one of the most important things to understand.

**Geraldine Doogue:** Thank you both very much indeed, and good luck to you. I hope it all comes true. Thank you.

Both: Thank you very much Geraldine.