



17 July 2020

Commissioner Jonathan Coppel and Commissioner Malcolm Roberts
Productivity Commission

c/o Ms Meredith Baker, Research Manager, Productivity Commission
Level 12, 530 Collins Street Melbourne VIC 3000, Australia, Email: skills.workforce.agreement@pc.gov.au

Dear Sirs

Productivity Commission National Agreement for Skills & Workforce Development (NASWD) Review

Thank you for the discussion on Friday 3 July 2020 and the opportunity to make a submission to the review. Please find below a response to some of the interim recommendations and information requests.

1. Role of Competition in the VET market. In Chapter 3 of the interim report which deals with skills shortages and the role of government funding in VET provision, the commissioners note that skills mismatch contributes most to persistent skills shortages and they point to market failures like unresponsive training markets to shortages and sticky wages among employers. We agree with this analysis. However, the recommendation for increased competition in the VET market appears to be counterintuitive to this finding. While the interim report acknowledges certain policies like international migration (esp. via skilled migrants) helped to fill some of these gaps, when it refers to labour market responses to shocks, it does not analyse in detail the impact of national inter-state and inter-region flows of skilled labour e.g. Fly-In-Fly-Out (FIFO) workers in the resources boom (that at the height of the mining boom, accounted for about one quarter of WA's outback population)¹. This is important if the definition of the VET or skills market is to be taken seriously at a national (or global) level, rather than the state or territory-based level that drives much of the current NASWD.

2. Appropriate career information and advice for school students and regional accessibility. As our research has shown, based on OECD data, in spite of career guidance, there are major career concentration and job realism gaps between teenage boys and girls in Australia.² These gaps are much larger for youth from disadvantaged backgrounds as compared to those from advantaged backgrounds. About 35% of jobs selected by teenagers are at risk of automation. This suggests that in Australia, teenagers and their career advisors are not fully aware of significant market signalling and job opportunities in the "jobs with a future" sphere. For example, careers related to how humans and machines/computers interact and complement each other are, and will be, needed, and provide exciting, new employment opportunities. As indicated above, this misalignment between educational and occupational aspirations is most pronounced among Australian youth from disadvantaged backgrounds, who are 6% more likely to select jobs more at risk of automation than their more advantaged counterparts. In addition, as a result of the urbanisation of the Australian population over the last 50 years or so, the bulk of career counsellor jobs/ training is conducted in major city/ metropolitan areas. Unless there is further professional development and targeted actions (e.g. bringing them to regional areas to show them the opportunities there), these counsellors are unlikely to provide appropriate advice for students/ clients who may be unaware/ unmotivated to move to where the jobs may be. Our research shows that purposeful marketing and talent attraction is needed to address skill shortages in regional, rural and remote areas of Australia.³ Just allowing for market forces will not be sufficient.

¹ Australian Bureau of Statistics. 2018. Western Australia – Outback: A Population Overview. In ABS. 2071.0 - Reflecting a Nation: Stories from the 2011 Census, 2012–2013; <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/2071.0main+features652012-2013>

² Seet, P-S, Jones, J. 2020. If you're preparing students for 21st century jobs, you're behind the times. *The Conversation*. 17 January 2020. <https://theconversation.com/if-youre-preparing-students-for-21st-century-jobs-youre-behind-the-times-131567>

³ Seet, P-S, Jones, J. 2019. Indigenous Art Centres that sustain remote communities are at risk. The VET sector can help. *The*

3. New principles-based agreement centring policy on the consumer, including information provision for informed choice. The interim report, more clearly than previous reviews, identifies the consumer as current and future VET students and that the VET system should be based on “user choice” led competition. However, other parts of the report point to other stakeholders like employers as users of accredited and unaccredited training and students and employers as clients (section 1.3). As there were relatively fewer VET student/graduate submissions to the initial call, it appears that industry and employer bodies do not have a consensus that the consumer is that of individual VET students/ apprentices/ trainees. It appears that like previous reviews, there is lack of clarity on who the user or client is. This issue requires more clarity and agreement before generation of the final report. Our research has also found that among employers, larger employers are able to influence the market for skills and even fill gaps independently, while smaller employers are largely at the mercy of what the VET sector provides with respect to training.⁴

4. Informed student and employer choice and training providers making informed decision on investment in training. In an ideal world, with perfect information, and rational expectations and behaviour among students, employers and training providers, better information would lead to more informed choices all round. However, the initial assumption of the commissioners was that the changing nature of work largely driven by new technology would be the main driver of changes to VET requirements. Our research finds that there appears to be consensus among technology innovators and employers on the need to enhance skill development for disruptive technology, with skill needs varying according to the nature of the technology. However, when considering specific technologies, there is substantial uncertainty about the skills needed and how the training should be delivered. For a variety of reasons, even though apprenticeships lead to better employment outcomes as compared to non-apprenticeship-based VET courses, NCVET data shows that students tend to select VET courses that do not involve apprenticeships.⁵ For example, in 2018, Business Services remained the most popular training package, accounting for 15.5% of all training package qualification enrolments, followed by Community Services (15.0%). Likewise, Management and Commerce remained the most popular field of education for training package qualifications, with 567,000 (25.6%) enrolments, followed by Society and Culture with 400,400 (18.1%) enrolments. So, besides the role of state and territory governments, there may be other contributors (e.g. student preferences and uncertainty among employers as to future skill needs) to the NASWD not meeting the two 2020 targets to increase skill levels.

5. Lifelong learning and studying other countries. The interim report acknowledged that government policies are largely silent about lifelong learning in the VET sector, and the information about it is limited. While the terms of reference of the review did not state explicitly the need to look overseas, many of the challenges of skilling for the future are not unique to Australia and the economic consequences of the COVID-19 pandemic have affected developed economies in a like manner. Some countries have been experimenting with lifelong learning models in the VET sector. A model of collaborative funding between government, employers and students that Australia can look at is that of SkillsFuture and the SGUnited Jobs and Skills Package in Singapore.⁶ In addition to school leavers, the tripartite government-led model supports Singaporeans to develop to their fullest potential throughout life, regardless of their starting points. In the latest adaptation of SkillsFuture, the program will (1) enable individuals to continue learning, (2) enhance the role of enterprises in developing their workforce, and (3) have a special focus for mid-career worker in their 40s-50s, to help them stay employable and move to new jobs or new roles. While these are longer-term initiatives, the program is flexible enough to target sectors directly affected in the short-term by COVID-19

Conversation. 5 August 2019. <http://theconversation.com/indigenous-art-centres-that-sustain-remote-communities-are-at-risk-the-vet-sector-can-help-121179>

Seet P-S., Jones, J., Acker, T., Jogulu, U. 2018 (OnlineFirst). Meaningful Careers in Social Enterprises in Remote Australia: Employment Decisions among Australian Indigenous Art Centre Workers. *International Journal of Human Resource Management*. DOI: 10.1080/09585192.2018.1528556. <https://doi.org/10.1080/09585192.2018.1528556>

Seet P-S., Jones, J., Acker, T., Whittle, M., 2015. Shocks among managers of indigenous art centres in remote Australia. *Management Decision*. 53(4): 763-785. DOI: 10.1108/MD-06-2014-0386. <https://doi.org/10.1108/MD-06-2014-0386>

⁴ Seet, P-S, Jones, J., Spoehr, J., Hordacre, A-L. 2018. *The Fourth Industrial Revolution – Implications of Technological Disruption for Australian VET*. NCVET, Adelaide, SA. (ISBN: 978-1-925717-20-4). <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/the-fourth-industrial-revolution-the-implications-of-technological-disruption-for-australian-vet>

⁵ NCVET. 2019. Total VET students and courses 2018. <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/total-vet-students-and-courses-2018>

⁶ SkillsFuture: <https://www.skillsfuture.sg/>; SG Jobs & Skills: <https://www.ssg-wsg.gov.sg/>

like tourism, aviation, retail and food services. These sectors will receive support through redeployment programs to help employers retain and reskill their employees to a maximum of six months. For the short term, the government, as a major employer, has also committed to creating about one-third or 15,000 of these new jobs/ roles while the private sector is expected to contribute another two-thirds, totalling an expected 40,000 jobs in 2020.

6. Incentives to improve collaboration and experimentation. The VET sector requires increased collaboration between industry, educators and governments. It also needs responsiveness and flexibility in delivering skills, from formal qualifications to micro- credentials or non-formal education, to reflect the needs of rapidly changing technologies.⁷ A good example of this is the first nationally recognised qualification in automation, launched in Perth earlier in 2020 (as elaborated in the submission to the commission by Rio Tinto). This arose out of a collaboration led by Rio Tinto, South Metropolitan TAFE and the WA government. Employers and VET providers should be incentivised to experiment and test new methods to meet future skill needs. In the review of future VET funding models, funding should be set aside to purposefully support these initiatives, lest they become programs that only selected employers or providers with deep pockets can access or provide.

5. Concluding remarks. With rapid developments in training delivery technology (e.g. online methods) combined with disruptions due to the COVID-19 pandemic, the commissioners note that their current options and recommendations are unlikely to change in the general sense. While the recently announced JobTrainer scheme is aimed to address some of the current and short-term disruptions to skills and training development caused by the pandemic, we agree that COVID-19 is likely to drive longer-term changes to the economy and the pandemic may lead to structural changes in the VET sector which will also be relevant to any future agreements between Federal, State and Territory governments.⁸ As Winston Churchill said, “Never waste a good crisis”, and it is important that the changes to the NASWD be not only focussed on current COVID-19 pandemic driven issues, but make use of the current crisis to execute reforms that were intransigent in the past so as to better prepare Australia for the longer-term technological and other drivers of change to work as advised originally by the commissioners.

Should you have any questions regarding the various aspects of this submission, please do not hesitate to contact us. We will be happy to elaborate on some of these issues further.

Yours sincerely,

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The views and opinions expressed in this submission are those of the authors and do not necessarily reflect the official policy or position of ECU and Flinders University or any other agency, organization or company.

⁷ Seet, P-S, Jones, J., Spoehr, J., Hordacre, A-L. 2018. *The Fourth Industrial Revolution – Implications of Technological Disruption for Australian VET*. NCVER, Adelaide, SA. (ISBN: 978-1-925717-20-4). <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/the-fourth-industrial-revolution-the-implications-of-technological-disruption-for-australian-vet>

⁸ Seet, P-S, Jones, J. 2020. There may not be enough skilled workers in Australia’s pipeline for a post-COVID-19 recovery. *The Conversation*. 5 June 2020. <https://theconversation.com/there-may-not-be-enough-skilled-workers-in-australias-pipeline-for-a-post-covid-19-recovery-140061>