

Annexure to the DFAT submission – Department of Industry

THE INQUIRY INTO THE ROLE OF THE PRIVATE SECTOR IN PROMOTING ECONOMIC GROWTH AND REDUCING POVERTY IN THE INDO-PACIFIC REGION

THE ROLE OF SKILLS DEVELOPMENT

The Department of Industry offers input to this inquiry regarding the role skills development strategies which leverage the private sector can play in promoting economic growth and reducing poverty. This Annexure addresses the following Committee Terms of Reference:

- *Current Australian Government support for private sector development through bilateral and multilateral investments.*
 - *Additional partnerships, activities or financial instruments the Australian government could use to enhance the role of the private sector in development in the Indo-Pacific region.*
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Overview

High value diplomatic and economic outcomes can be achieved through assistance from Australia to develop skilling systems and strategies in developing countries.

The Australian Government's engagement with developing countries in recent years has highlighted the imperative they place on establishing systems to up-skill a significant cohort of their working-age population. Skills development is of significant importance to developing countries seeking to move from 'factor-driven' economies to 'efficiency' or 'innovation' driven economies³⁵. Improved mid-level skills are central to improving productivity and encouraging private and foreign direct investment.

Dialogue with governments across the region has demonstrated strong levels of interest in Australia's approach to skilling, primarily through the formal vocational education and training (VET) system. Australia's system includes a strong alignment with the skilling priorities of industry and an adaptable approach to content and training; these are some of the areas of highest interest to other countries. The first order engagement priority ought to be in developing adaptable industry connected skills systems.

Australia's Skilling System

Australia's vocational training system is well regarded internationally and therefore well placed to expand services into the Indo-Pacific region to leverage economic development in these countries. The system is characterised as responsive to the needs of industry, standards-based and national. Standards establish clear expectations and outcomes from training and afford flexibility to consumers and suppliers in mode and delivery to suit unique circumstances and to respond to a wide range of calls for training in Australia. A consistent national system operates across the Australian federation in which states and territories hold responsibilities for training.

Current approach to skills development activity

Through ongoing engagement in the Indo-pacific region, the Department of Industry is aware of a growing call from countries for assistance with the development of skills systems. Many countries are working on improving access to, and quality of, schooling, and expanding their higher education systems. At the same time they are aware of the need to offer up-skilling strategies for the working-age population to avoid exacerbating economic inequality across the population. Any engagement in these areas, however, needs to be strongly connected to the industry priorities of each individual country.

³⁵ World Economic Forum's Global Competitiveness Report 2012-2013

The role of the private sector

The Australian training sector is active in opening up training opportunities in the Indo-Pacific and Asia on a commercial basis. This often leverages off government-to-government relationships and aid funding.

The ultimate objective is to create opportunities for Australian businesses in the traded sector to take advantage of developments in the skills capacity in off-shore countries. Assurance that developing countries have base skills available within their labour markets provides the basis for companies to expand their operations in these countries. Growth in real jobs and the formal economy in these countries add to economic self-reliance and further expand trade opportunities for Australia.

Opening opportunities for private effort

Historically, assistance to developing countries has focused on publicly supported scholarship placement opportunities with Australian training providers or individuals pursuing training options in Australia under student visa arrangements. These avenues remain a vital source of developing human capital capacity in developing countries. Nonetheless, consideration could be given to facilitating skills development in-country. Scholarships have a specific but limited role with respect to skills acquisition particularly given the size of the skills development challenges of many countries within the Indo-Pacific region.

Delivery by Australian training providers offshore provides many of the benefits of people-to-people engagement, as well as ensuring the delivery of quality training at levels demanded by potential Australian employers operating within the region.

VET Challenges in the Indo-Pacific region

Countries developing and implementing skills systems face similar challenges such as:

- poor engagement with industry;
- chronic under-skilling in foundation and technical skills across the working-age population;
- dominance of the informal economy which does not recognise nor utilise formally acquired skills;
- limited training facilities; and
- Poor quality training.

A role exists for publicly directed aid to create an environment for the Australian training sector to deliver professional advice and services directed particularly to addressing these challenges.

The most effective engagement with developing countries is based on guiding education and labour Ministries to activate their industry sectors to guide training. In parallel, assistance is directed to building flexible approaches to governance of training systems, including for training accreditation and delivery arrangements. Professional support is also directed to improving the quality of training delivery and management of training institutions. This requires ongoing government-to-government diplomatic relationships.

The Australian Government also seeks to work with Australian industry to identify areas of potential expansion in developing countries to assist in targeting Australia's assistance to relevant industries. Prominent examples include development of mining and petroleum extraction skills for Australian companies operating offshore. Transport and logistics, as well as tourism and hospitality, are also strong areas of growth for Australian companies offshore.