

ACTU submission to the inquiry into Innovation and Creativity: Workforce for the New Economy

30 January 2017

AS WITH OTHER DEVELOPED COUNTRIES, AUSTRALIA MUST ADAPT AND RESPOND TO THE CHALLENGES AND OPPORTUNITIES BROUGHT ABOUT BY THE END OF THE MINING BOOM, TECHNOLOGICAL CHANGE, GLOBAL COMPETITION AND DEMOGRAPHIC CHANGE

Even the most casual observer of the Australian economy is aware that we are entering a period of change. What is equally clear is that this change demands a measured and planned response from government. One of the core assumptions of this inquiry is that the 'new economy' is a discrete, known entity which can be examined and solutions to the issues it creates developed. But fifteen years ago the job title 'Social Media Manager' would have been considered nonsense. The internet, mobile phones, smart phones and portable computers and all their associated employment opportunities were largely unpredicted by futurists and economic planners. While we can make educated assumptions (future jobs are likely to require greater levels of digital literacy for example) and attempt to extrapolate from current trends, as the CSIRO have done in their recent report "Tomorrow's Digitally Enabled Workforce"¹, it remains largely impossible to be sure about the precise nature of the new economy. Perhaps the only certainty is that change is coming. If this is true then the only responsible course for the government to take is to ensure that the Australian economy is as well-placed as possible to adapt to that change. Change will be fast paced and technological change will have impacts across the entire economy. The only way to make sure this transition is smooth is to start now, to ensure that Australia is able to address future challenges and opportunities from a position of strength.

THERE ARE ACTIONS WE CAN TAKE NOW TO BUILD OUR ECONOMY THROUGH STRATEGIES TO BOOST OUR COMPETITIVE ADVANTAGE: INVESTING IN RESEARCH AND INNOVATION, NEW TECHNOLOGIES, SKILLS AND TRAINING, HIGH QUALITY JOBS AND VALUE-ADDED INDUSTRIES

Many of the mechanisms that will allow us to respond to this change effectively have been allowed to become dangerously atrophied. Ensuring the Australian labour market has access to quality training and skills development is critical, but cannot be seen in isolation of a number of other measures that the Australian government should be taking to best position the economy to adapt to change.

1. Firstly, government must end the piecemeal approach it has taken to preparing for change. This transition must be taken seriously and requires a whole-of-economy response. The establishment of an independent authority, as already called for by the ACTU², to identify opportunities for new industries and sectors, respond to challenges brought about by changing markets and industries and to co-ordinate the work of various government departments to deliver positive policy outcomes and support for working Australians is necessary.

RECOMMENDATION: Establish a National Transition Authority to respond to the challenges and opportunities brought about by technological, economic, climate and demographic change.

2. We must urgently halt and reverse cuts to public support for research, science and innovation. Research institutions must be provided with an adequate and stable funding framework consistent with conducting long-term research and development for a mix of academic and commercial purposes.

¹ CSIRO, Tomorrow's Digitally Enabled Workforce, CSIRO, 2016

² ACTU, *A Transition for coal-fired electricity sector workers*, ACTU, 2016,

<http://www.actu.org.au/media/1032953/actu-policy-discussion-paper-a-just-transition-for-coal-fired-electricity-sector-workers-and-communities.pdf>

3. Innovation, research and the development of new technologies and ideas will need to become the backbones of the Australian economy in the coming years. We need to better link research, science and innovation with business, incentivising innovation, developing new technologies and growing advanced industries.
4. Create opportunities for business and industry to innovate, particularly for small and medium enterprises (SMEs). To this end, government should create new innovation commercialization opportunities and tax incentives for innovation-intensive SMEs. This would work hand in hand with expanded funding for programs which ensure that new industries are able to develop and provide employment for Australian workers.
5. Increase our long term growth rate, create a positive climate for the private sector and create good jobs, by making the most of record low interest rates and investing in infrastructure, including green energy, construction, transport, and telecommunications.
6. Ensure that workers are well-paid and have access to entitlements like sick leave, annual leave and flexible working arrangements which keep productivity high. A strong social safety net, including support for job seekers, universal and high quality health, education and family and community services are the foundations of a healthy and strong society. These measures are key drivers of domestic consumption and economic growth. Neglecting the important economic role of decent wages and the social safety net has significant budgetary consequences – as the shown by the disappointing figures of the Mid-Year Economic and Fiscal Outlook 2016/17.
7. A strong social safety net is also important because we need to ensure we are positioning Australians who may be unemployed, either long-term or (as will occur more in the new economy) for short periods, to return to work as quickly and effectively as possible. The way to achieve this is not to force unemployed Australians into poverty and despair with a weak social safety net, but to enable unemployed Australians to retrain, refresh their skills and return to the workforce.
8. The lack of employment opportunities for people who have recently graduated, either from school or re-training, must also be addressed. Delaying graduates' entry into the workforce may mean skills have eroded or, in fast changing sectors, that new skills are now required. A real strategy to create entry level jobs in new and existing industries, particularly for young people, is desperately needed.
9. Support Industries and growth sectors with strategies to generate the jobs, skills and innovations we need to build a competitive economy. These may include climate policies which encourage investment in renewable energy for future employment, tax policy which ensures sufficient revenue to fund innovation and public-sector spending and a procurement policy which utilises government's spending power to assist Australian business and industry.
10. Developments such as driverless trucks and cashier-less supermarkets are not so very away. We need to ensure that workers in these sectors are given a just transition – genuine opportunities to re-train and develop new skills related to new industries. This ensures significant numbers of workers, and communities do not exit the economy, as has occurred in recent unplanned industry closures³, and are instead available to work in new industries, earn a decent wage and contribute socially and economically to their communities.
11. Jobs need to be decent and secure, not just for the wellbeing of workers, but also to ensure training and re-training for new industries is seen as a worthwhile endeavour – allowing the workforce to adapt flexibly to new skill needs. This will allow us to develop the high-technology, high-productivity, export-oriented industries and services necessary for job growth in the new

³ ACTU, Op. Cit

economy. We need to position our economy to make the most of our natural resources, our technology and crucially, our human talent, skills and imagination.

It is within the context of the need for these changes in the structure of the Australian economy and the role of government that the ACTU views this inquiry and its findings.

RECOMMENDATION: Government should take actions, such as guaranteeing industrial and economic conditions for workers, investing in research and innovation, creating job opportunities and supporting the growth of new industries, to ensure our economy is well placed to respond to the challenges and opportunities created by technological, economic, climate and demographic change.

OUR CURRENT HIGHER EDUCATION TRAINING SYSTEM IS FACING SIGNIFICANT CHALLENGES

A top quality, well-funded and effective higher education system will ensure that graduates are able to gain new skills quickly, adjust to economic change effectively and re-skill when needed. This is a crucial element of the significant reforms needed if the Australian economy is to be best positioned to respond to change.

The Vocational Education and Training system (VET) should be the backbone of the skilled economy, holding a position of at least equal importance with university education. Yet it is apparent to even a casual observer that the current VET system is not delivering graduates, be they young people or older workers undertaking re-training, with the skills they may need in future. In some cases, graduates are not even being delivered with the skills they have paid to be trained in.

The marketised VET system regularly fails to provide high-quality training to students, failing to give them skills they need for current or future careers. One of the most commonly reported problems is that of courses that are clearly too short, being delivered in a fraction of the time they are delivered by reputable providers. In the construction industry, ASQA investigated the delivery of the introductory safety training for the industry – the ‘white card’. It found the 12 RTOs delivering the vast bulk of white card training all delivered and assessed the training online. The Industry Skills Council for the sector recommended six hours for the white card training, but ASQA research found the RTOs using online delivery all had training and assessment strategies of four hours duration or less, with most people completing training and assessment in less than one hour, some as little as 30 minutes. In total, some 75 per cent of White Card training providers were found to be not compliant with the standard relating to assessment practices. The result of all this, the review found, was industry has lost confidence in the value of the White Card to assure workplace safety for new entrants to the construction industry.⁴ Similar findings were made in aged care, where 70 per cent of RTO providing less than the recommended hours of training. Over 50 per cent the courses provided less than half the recommended hours.⁵

Quality issues are not confined to a single qualification or area. The 2013-14 ASQA annual report provides further evidence of poor quality provision. It found that three out of four training colleges have given students sub-standard training or questionable assessments i.e. non-compliance with the core regulatory standard for quality training and assessment. More than one in 5 still could not comply after a further 20 days. Only 20 per cent of 1515 colleges audited complied fully with national standards in 2013-14. The remaining 80 per cent had at least one case of non-compliance, ranging from minor concerns

⁴ ASQA, *Training for the White Card for Australia's Construction Industry*, Australian Skills Quality Authority, 2013

⁵ ASQA, *Training for aged and community care in Australia*, Australian Skills Quality Authority, 2013

through to serious failures with training and assessment.⁶ The current design of the VET system, and the incentives it creates for many providers to focus on churning students through with no regard to quality, means that the current system is not producing graduates with the skills they need. It is also incapable of providing the systemic flexibility needed if we are to use the VET system as a retraining system for workers trying to enter new industries or react to changes in their industry.

Apprenticeships, traditionally an effective path into a skilled career for many Australians, have also declined in the last five years. According to the NCVER 122,000 fewer apprentices were in the apprentice systems in September 2015 than in September 2013. The completion rate for apprentices and trainees has also fallen, sitting at 52.4% nationally in July 2015.⁷ Apprenticeships and traineeships are significant not only because they are an important part of skills training in the economy, but because they also encapsulate two key concepts explored earlier in this submission.

1. Skills training should be practical and linked to specific competencies; and
2. That employers have a significant role to play in workforce skills development.

Traineeships are also a significant area of concern. Many of the future growth sectors of the economy, health care and disability for example, utilise the traineeship system which is, so far, not delivering outcomes of a level of quality commensurate with the apprenticeship system. There are a number of sectors in which traineeships have become low quality and require urgent reform to once again be considered a mark of quality training for students and employers.

The university sector faces different challenges. Increased casualisation and funding cuts have created significant insecurity for the university workforce. Those who have been able to maintain their jobs are often working in stressful and under-resourced workplaces. This is bound to have an effect on the quality of the education many students receive – despite the dedication of the workforce. Over the last decade we have seen the economic value of a university degree continue to fall, with only 68 per cent of university graduates employed after finishing their degree in 2015.⁸ This is partly due to the lack of employment opportunities which the economic reforms outlined earlier would begin to address. But the government must also take steps towards ensuring that university graduates skills are of the highest quality by re-investing in the sector and ensuring a stable and secure university workforce.

THE CHALLENGES WE FACE IN THE HIGHER EDUCATION & TRAINING SYSTEM CAN BE ADDRESSED

Before we can reform the training system to deliver the ‘skills of the future’, we must first establish what we mean when we talk about those skills. A recurring theme when both academics and employer groups begin to talk about skills they consider valuable in the future is that they are generic terms like ‘flexibility’ and ‘initiative’.

We need to consider precisely what practical capabilities we believe graduates should have that they currently do not. Employers must become more effective participants in the training system, providing clear feedback about skills that are lacking rather than broad statements about generic skills that have been the core of employer feedback about graduates for generations. It is also important that unions and employees continue to have their voices heard in the training system to ensure that the interests of workers are represented in skills development and gap identification.

⁶ Australian Skills Quality Authority Annual Report 2013-14, pp 26-28

⁷ NCVER, Apprentice and trainee completion rates slightly down, Media release, 20 July 2015.

⁸ Graduate Careers Australia, GradStats 2015, GCA, 2016

RECOMMENDATION: Government should take steps to secure and protect the tripartite training system.

The current predominant model of training, where a person undertakes one intensive course of training when beginning a career and then only undertakes minor on-job upskilling, will no longer be feasible in a world of rapid technological change. We need to develop a new training model, one which embraces short-term upskilling and regular skill refreshers. Models such as lifelong learning and concepts like the learning account and a training system which will allow them to operate effectively will be necessary to ensure that workers have access to the skills they need throughout their many careers, rather than just at the point of graduation.

RECOMMENDATION: Models such as lifelong learning and learning accounts should be examined as possible responses to changes in skills needs over working people's lives.

Employers also need to acknowledge their broader role in workforce development - they must continue to train their workforce as industries change or new techniques are developed. It is not enough to rely on the training system to provide all the knowledge a worker will ever need – there must be an investment in workforce development from employers.

RECOMMENDATION: Employers should be encouraged by government to engage meaningfully with the training needs of their workforce and to recognise the need to invest in workforce development.

We have seen above that the training system is struggling due to poor policy decisions and a general lack of funding. A genuine commitment to training can address skills challenges in particular industries, regions and among particular groups of workers as well as provide the foundation for a successful transition to a changing economy and labour market. If we are truly to have a world class training system which can provide the workforce with the skills they need, we need to undertake a series of reforms to the higher education training system, including:

RECOMMENDATIONS:

1. Reversing policies such as cuts in education funding to the states, privatisation of TAFE, \$1 billion cut from apprenticeship programs and a steady move toward university tuition deregulation, \$100,000 university degrees and cuts to university research funding;
 2. The model of market-driven contestability, combined with entitlement funding and VET fee-help, has created the conditions giving rise to low quality provision of publicly-funded VET. Reduce the market share of private providers and restore TAFE as the centre of the VET system by implementing, as a beginning, a 30% cap on the amount of funding allocated contestably;
 3. Restoring the TAFE system as the public provider of quality VET across the country, especially in regional areas by reversing funding cuts to TAFE;
 4. Conducting a review into the future of the market-driven approach to the delivery of VET, which has had adverse effect on individuals, communities and industry sectors and must be subject to a fundamental rethink and overhaul;
 5. Ensuring that the VET regulator has both the powers and the resources to ensure that students receive the training they sign up to, that the training being offered matches the student's interests, skills and aptitude, and aligns with identified job opportunities, and that on completion, students can in fact do what the qualification says they can do;
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6. Implementing a nationally consistent system of trade papers to certify completed qualifications and practical experience;
 7. Creating a National Custodian to oversee and harmonize apprentice rules;
 8. Establishing apprentice ratios to increase apprenticeship opportunities for young workers;
 9. Improving terms and conditions for apprentices, including tool allowances;
 10. Reviewing the traineeship system to ensure it is providing quality training and skills development;
 11. Increasing the base funding of Australia's public universities by 10 per cent (as recommended by the 2007 Review of Higher Education) and a measured increase of public investment to the equivalent of 1 per cent of GDP, from the current 0.7 per cent;
 12. Reducing casualisation within the university workforce. Higher education is the most highly casualised industry after tourism and retail and of the fifty percent increase in research-only staff over the past decade; eighty per cent are on fixed term contracts; and
 13. Abandoning measures which restrict access to university, such as fee deregulation, and adequately funding universities to ensure that they can continue to teach and produce research of the highest standard.

This submission provides a brief summary of the key recommendations the ACTU believes are necessary to ensure Australia is best placed to face the challenges and opportunities presented by our transitioning economy. We would be happy to provide further details should the Committee so request.

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