



NESA's response to the
**House of Representatives
Standing Committee on
Employment Education
and Training**

INQUIRY

**Innovation and creativity:
workforce for the new
economy**

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The National Employment Services Association (NESA) welcomes the opportunity to contribute to the House of Representatives Standing Committee on Education and Employment's inquiry into innovation and creativity in building a workforce for the new economy.

About NESA

NESA was established in 1997 to be the voice of Australia's world-renowned¹ contracted employment services industry. We have served that industry diligently and effectively since that date, and have participated strongly in the establishment of an employment services industry which has a pivotal role in assisting the Australian Government to achieve its policy objectives in workforce participation, productivity and social inclusion. Central to achieving this objective is ensuring that job seekers have the skills necessary to effectively meet the demands of a contemporary workforce. To this end, the tertiary education sector plays a significant part in the vocational education and training of job seekers.

NESA represents the full range of contracted employment service providers, including not-for-profit and private organisations servicing all current government employment programmes. Twenty-one of our members are RTOs and their feedback was particularly sought on the functioning of the VET (Vocational Education and Training) sector with regard to the Committee's inquiry.

Executive Summary

- Job-readiness has at least as much to do with so-called "soft-skills" than it does with any particular qualification set or curriculum focus.
- Hard-skill bridging will never be able to keep pace with change in the job market.
- The focus of an effective education system should be on adaptability, problem-solving and communication.
- The standardization approach to the VET sector in particular is pulling tertiary education in precisely the wrong direction.

Scope of the Submission

This submission specifically addresses the first and second points of the Terms of Reference:

1. **the extent to which students are graduating with the skills needed for the jobs of today and of the future;**
2. **matters relating to laws and regulations that may act as a barrier to education providers being able to offer qualifications that meet the needs of the new economy and fastest growing sectors;**

"Job-Ready"

The Committee has asked the question **"Are students graduating with the skills needed for the jobs of today and of the future?"** Discussions on this question quickly centre on the notion of "job-readiness".

¹ OECD (2012), *Activating Jobseekers: How Australia Does It*, OECD Publishing, Paris.

Job-readiness can be understood as an inverse measure of the financial and time investment required to get a new employee “up to speed”. However, low job-readiness is too easily misconstrued as a simple *lack of hard-skills*, to which the solution seems to be to get training organisations to modify their curricula to bridge the perceived skill-gaps. The Committee will note the large number of submissions to this inquiry calling for greater STEM (Science, Technology, Engineering, Math) funding in Universities, for instance. But this kind of *hard-skill bridging* solution to decreasing job-readiness fails to take three critical things into account:

1. *Hard-skill bridging will never be able to catch up to a fast-evolving job market.* A hard-skill bridging response takes time to implement. Even with the best political will and the most efficient decision-making and implementation procedures, by the time training modifications are in place and start producing graduates with the hard-skills initially perceived as lacking, the labour market itself will almost certainly have moved on, and the perceived skill-gap with it. Technological innovation now exhibits a rate of change that is impossible to match with any large-scale policy-making and change-implementation strategy oriented *exclusively* towards hard-skills, and the resulting unwinnable game of catch-up only assures a tremendous waste of resources and a tertiary education sector that is constantly lagging behind.
2. *The single most significant characteristic of the modern labour market is change.* It is not possible to give students the tools necessary to *negotiate change* in their professional futures via a hard-skill bridging approach. Hard-skills by definition are context-driven and job-specific, and it is precisely the context and skill-requirements of the modern job market that change the fastest.
3. *Employers commonly highlight not a lack of hard-skills, but rather of soft-skills.* Employers in many sectors are finding new recruits who are not job-ready, despite having all the right hard-skill qualifications for the position². What is lacking, however, is their capacity to communicate with others, their sense of responsibility, their awareness of social dynamics linked to self-expression and attitude, their ability to time-manage and prioritize, and their ability to adapt to new and unexpected situations and requirements. These so-called “soft-skills” are not systematically addressed by most tertiary education institutions, as they are assumed to be “life-skills” that are acquired naturally outside of the education stream, and that are of secondary importance.

A much-cited 2015 PwC report³ suggests that “44 per cent (5.1 million) of current Australian jobs are at high risk of being affected by computerisation and technology over the next 20 years.” PwC’s prediction is often misrepresented as a 44 per cent *reduction in job availability* (which is not what the report says) and once again the Committee will have noted that a great many of the submissions made to this inquiry cite such predictions and narrowly target STEM training as a panacea for the inevitable shifts toward greater IT automation and a resultant anticipated drop in lower-skilled labour.

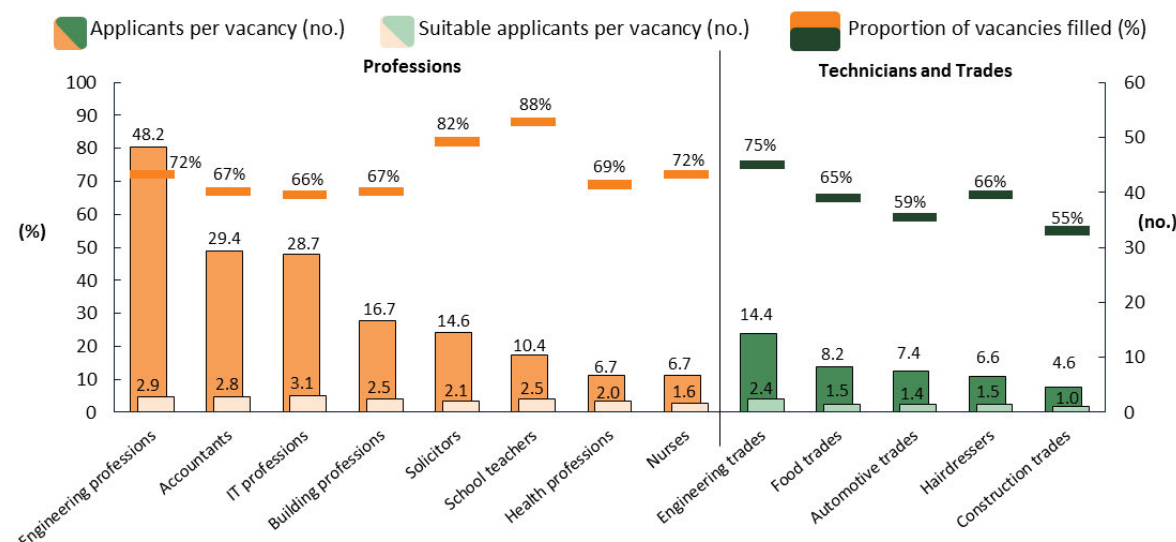
² “A Report on the APEC Region Labour Market: Evidence of skills shortages and general trends in employment and the value of better labour market information systems.” APEC Human Resources Development Working Group, January 2014
http://publications.apec.org/publication-detail.php?pub_id=1533

³ “A smart move: Future-proofing Australia’s workforce by growing skills in science, technology, engineering and maths (STEM)”, PwC Australia, 2015. <http://www.pwc.com.au/pdf/a-smart-move-pwc-stem-report-april-2015.pdf>

But several independent considerations highlight the inappropriateness of this response.

Data published by the Dept. of Employment for 2015-16 clearly shows that applicants for STEM-oriented jobs already vastly outnumber available positions:

Proportion of vacancies filled, average number of applicants and suitable applicants per vacancy
Selected occupational clusters, 2015-16



From *"Skill Shortages – Statistical Summary 2015-16"* Dept. of Employment Labour Market Research & Analysis Branch
(https://docs.employment.gov.au/system/files/doc/other/statisticalsummary_1.docx)

The same report also states that so few candidates are considered "suitable" because

"Most vacancies require experience in addition to qualifications

- many applicants do not have the minimum amount of experience employers are looking for
- some positions require very specific experience

Employability skills factor heavily when determining applicant suitability

- the importance of communication skills, teamwork, reliability or English proficiency are commonly mentioned by employers" (p. 1)

A 2014 report published by APEC⁴ highlighted the importance – and the deficit – of soft-skills throughout the Asia Pacific region. Part of APEC's recommendations based on this study were precisely to promote "the importance of not just technical skills but also of many personal ('soft') skills to employers, especially multinational corporations" (p. 10)

Since 2015, a series of major employers, including PwC themselves⁵, have overtly dropped any consideration of tertiary qualifications from their recruitment process, and the trend toward

⁴ Op.cit. fn.2

⁵ At least in the UK, as reported in the BBC, May 4, 2015 <http://www.bbc.com/news/education-32579823>

psychometric testing – which is exclusively focussed on personality type, cognitive style and soft-skills rather than traditional qualification consideration – is generalising.

STEM-oriented training is only one of a range of educational foci which are of **equivalent importance** in the formation of future cohorts of employment-adapted graduates, and to the extent that any answer to the Committee's question is focused *exclusively* on hard-skill training, we believe it to be misguided.

While it would be foolhardy to overlook the central role that technology plays and will continue to play in the evolving labour market, solutions that would divert limited funds away from the Arts and Human Sciences in favour of STEM-oriented training would be retrograde steps, particularly as the kinds of soft-skills that underpin **adaptability, lateral thinking, innovation** and **creativity** are by no means the exclusive domain of the hard sciences.

Furthermore, it has to be said that the fear of new technology creating massive *redundancy* is a cry that has been heard since Ned Ludd⁶ first smashed those stocking frames in 1779, but it has never proven true. History has shown over and over again that as changing technology removes one type of employment it creates another. The only educational solution to the accelerating rate of this kind of technological change is one which concentrates on **durable, context-free skills** that allow the employment candidate of today and the future to keep pace with change, rather than being left behind by it.

“The skills needed”

A job seeker with “**the skills needed for the jobs of today and the future**” is one with three essential characteristics:

1. **They know how to learn.** An old adage says “*Give someone a fish and you feed them once. Teach them how to fish and you feed them for a lifetime*”. But in the current context we can go further: **teach them how to learn**, and any future skill-gap will require nothing other than time to overcome. An education system with a focus on learning strategies, rather than exclusively on factual content or defined skills, is one that will produce graduates capable of adapting to the constantly changing demands of the modern and future labour markets.
2. **They know how to solve problems.** The Committee's chosen title for this inquiry already contains the key terms: **innovation** and **creativity**. Both are expressions of problem-solving, and will only be manifest in graduates who have come through an education system that **fosters and encourages free-thinking and new perspectives**. Problem-solving is not the exclusive domain of technical subjects, and STEM graduates are by no means guaranteed to exhibit better problem-solving skills than graduates from other educational sectors. Problem-solving skills are developed by the quality of instruction and the underlying educational philosophy, not by specific course contents.
3. **They know how to communicate.** Getting along with clients, colleagues, supervisors and subalterns; speaking and writing in the professional domain; knowing how to behave in different professional contexts – these all derive from fundamental communication skills that are rarely directly addressed in current education systems. Interpersonal

⁶ Possibly apocryphal founder of the “Luddite” anti-technological movement amongst textile weavers in 19th century England.

communication skills underpin all social contexts including employment contexts, and this will remain true into any foreseeable future, irrespective of technological advances. An education system that is to remain effective and relevant cannot overlook the fundamental importance of ***solid communication skills*** – not just traditional “language, literacy and numeracy” but the full gamut of interpersonal, written, spoken and non-verbal communication, embedded in its social and cultural context.

The most job-ready candidate is one whose hard-skill set – appropriate to the position they are applying for – is ***built upon a solid base of durable, context-free skills***.

An adaptable, communicative, lateral-thinking employee has the tools to address a hard-skill gap with training, and in the current and future labour market, up-skilling or re-skilling will be constant requirements for most if not all professionals.

However, a hard-skill-qualified employee with poor soft-skills will not only have difficulty negotiating the human interactive aspects of the workplace but will moreover be unable to adapt to the changing demands of a dynamic labour market, placing much greater economic strain on their employer down the line.

The “Catch 22” of the VET sector

One of the guiding principles of the Australian VET sector⁷ is national harmonization of qualifications. Ideally, all graduates of an accredited VET qualification should have the same skill set and competencies regardless of where they did the qualification or of who taught it, such that employers can be confident of the skills of a candidate based solely on the qualifications they present with.

But any such harmonization-driven approach mandates a detailed compliance framework that substitutes for the discretion and professional judgement of individual teachers/institutions. As compliance frameworks evolve, and seek to cater for more and more contingencies, they inevitably become extremely complex and administratively cumbersome. This produces two undesirable outcomes that are both frequently signalled by RTOs trying to deliver such qualifications:

1. The administrative load draws time and energy away from the real aim which is providing quality instruction; and
2. The complexity of the system renders it inflexible and unable to respond to the rapidly evolving and often highly contextualised needs of industry.

On this latter point, a compliance requirement for RTOs is precisely that they be responsive to the needs of industry, which is a locally contextualized and fast-evolving requirement. But they are simultaneously bound by the definitions and compliance requirements of the VET packages that they deliver, and the process of change for these packages themselves (via Industry Reference Committee consultation and SSOs to ASQA) is cumbersome and insufficiently responsive. Lag times between needs-identification and effective skill-gap training are measured in years. Consequently local employers often feel that their needs are simply not being met, while RTOs cannot easily tailor their training to local industry requirements without risking non-compliance with ASQA, or else having to resort to offering non-accredited training, which flies in the face of the whole principle of national

⁷ as specified for instance in the TEQSA Guidelines <http://www.teqsa.gov.au/regulatory-approach>

harmonisation. While the VET sector as it stands can address the broad and slow-evolving needs of industry sectors, it is unable to cope with highly contextualised requirements and fast-paced change.

Such systems also contain an implicit distrust of the organisations and individuals who are actually delivering the training (or any compliance-based service). This is disempowering and destructive to quality outcomes.

An effective education system

An effective education system needs to teach so-called soft skills as a *higher* priority than sector-specific factual knowledge.

The aim of creating a strict national harmonization of qualifications has the perverse effect of produced training modules that are extremely detailed in their contents and requirements, which singularly fail to train adaptability and problem-solving, as everything within them is laid out in black and white. The “training” therefore inevitably becomes little more than hoop-jumping (or to use the more derisive, but often heard term: *tick-and-flick*) and contains little to no higher-order thinking.

The extremely regulated nature of VET training modules also manifestly seeks to remove the influence of individual trainers, seen as antithetic to harmonization. But this is demonstrably not the way to maximize the effectiveness of an education sector.

Quality education depends upon the **quality of teachers and trainers**. *Over-regulation* and *disempowerment of trainers* are highly destructive to performance, engagement and professional excellence in teaching, as in any domain.

The education model adopted in Finland has admirably demonstrated, since its inception in the 1970s, the powerfully positive effects of valuing teaching staff, placing stringent and highly competitive demands upon those wishing to become teachers, and rewarding those who are successful with both higher-than (OECD) average salaries, and the trust and empowerment to respond as they see fit in order to meet the learning needs of individual students. Unfortunately, this is the logical opposite of the system toward which Australia is currently moving. The Finnish model has been consistently praised for its high educational outcomes for decades and should stand as an important point of reference in the current inquiry.

An education system which focuses on context-specific hard-skills to the detriment of the more fundamental requirements of adaptability and communication does not serve either its graduates or the labour market and the skill-gaps created by such a system will only widen with time.

Worse, attempting to second guess the unknowable future directions of job market evolution by focussing too narrowly on one type of educational stream (such as STEM) is dangerous and socially irresponsible.

A well-educated population, empowered by an education system with motivated and quality teaching staff who know how to foster and engender free and creative thought in all disciplines, is the only way to guarantee a labour force capable of adapting to unpredictable trends and changes in future job markets.

The way forward

Our education systems have been slow to adapt to social change. The response to date has been one of progressive standardisation and shifting of responsibility from both trainers and students alike to higher and higher up the administrative hierarchy. This is the opposite response to countries such as Finland, whose educational reforms have received worldwide praise since the 1980s, and the failure of the over-regulation approach is becoming visible in the kinds of problems that this inquiry is a response to.

The answer does not lie in greater standardisation, more complex compliance frameworks or increased administration. These elements are already the weeds choking the stream.

Industry requirements are local and fast-evolving. Training organisations need to be free to respond to target industries with tailored training packages that suit the industries' particular needs. This kind of local reactivity simply cannot be achieved through a centralised compliance framework.

The goal of harmonisation assumes homogeneity of industry, of trainers and of candidates, when in reality none of these are homogeneous. Efforts to shore up the shortcomings of a centralised compliance model either by adding more requirements or by focussing too narrowly on hard-skill bridging responses will never succeed.

An effective education system is one that is adaptive to real needs, and this degree of granular adaptability can only be created in a system that affords creative freedom, responsibility and trust at the frontline of the training structures: the educators themselves. This is the exact reverse of what a highly centralised regulatory framework seeks to do.