

Submission

by the National Centre for Vocational Education Research (NCVER)

to

The House of Representatives Standing Committee on Employment and Workplace Relations

Regional Skills Relocation- Inquiry

The National Centre for Vocational Education Research (NCVER) is in the business of collecting, analysing and broking information about vocational education and training (VET). The organisation is responsible for collecting and managing national Students and Courses and Australian Apprenticeship and Traineeship statistics, and managing national surveys of graduates and students, and employers' views of training. We undertake a strategic program of research, and collect and provide VET research findings from Australian and international sources through the Vocational Education and Training Research Database (VOCED).

RESPONSE TO THE TERMS OF REFERENCE

That the Committee inquire into the applicability of government employment policies to address the skills shortages in regional Australia focusing on opportunities to support the relocation of unemployed workers from areas of high unemployment to areas experiencing skills shortages.

NCVER has undertaken or commissioned a number of research projects which may prove of interest to this inquiry. Below we present a summary of the nature and key findings of these projects. The first item describes a project which is nearing completion but has yet to be published.

A regional analysis of the labour market for tradespersons 2010, Lewis P, Corliss M, forthcoming.

The economic boom concentrated attention on skill shortages in Australia and their role in preventing the economy from reaching its full potential level of output and putting pressure on inflation. This report concentrates on the extent to which the supply of tradespersons has adjusted to changed economic conditions and the regional dimension of these supply changes. It undertakes an analysis of the extent of the regional distribution of tradespersons and the extent of population movement of tradespersons between regions. The report uses data from the Censuses of Population and Housing. These provide unique data covering different stages of the business cycle from 1991, the middle of a recession; 1996, the recovery; 2001, the boom; and 2006, severe skill shortages. Key findings include:

- Earnings appear to have played a very important function in adjusting supply and demand for tradespersons over the business cycle and in a period of structural change. This is particularly the case for Western Australia with its large population growth and its booming mining sector.
- Lowest paid tradespersons' relative earnings have consistently fallen over time. This would seem to support the view that the attractiveness of the trades rather than demographics being cause of shortages. However, the labour market is increasingly providing better rewards for the best tradespersons.
- Remote regions are the worst and best places to be for tradespersons depending on which earnings group you belong to.
- When skilled labour becomes in short supply firms tend to use unqualified labour to substitute for qualified tradespersons.
- The movement of tradespersons from overseas has been an important part of efficient adjustment in the labour market. Migrants played a very important role in the economic development of urban Western Australia with its significant population growth and in the mining boom in remote Western Australia.

Next we draw your attention to research on the difficulty of workforce planning within the resources and infrastructure industry and we highlight the relevant issues arising out of a consortium of work on future skill needs led by the National Institute of Labour Studies.

Workforce planning for the resources and infrastructure industry, 2007

Karmel T. NCVER: <http://www.ncver.edu.au/publications/1826.html>

This paper is of particular interest to the resource sector and argues that workforce planning should be built on an understanding of how the labour market works and the links between it and education and training. Workforce planning is particularly difficult for the resources and infrastructure industry because the demand for resources is difficult to forecast and the industry is made up of relatively small employers and draws workers from a wide range of occupations.

Forecasting future demands: What we can and cannot know 2007, Richardson S,

Tan Y. NCVER: <http://www.ncver.edu.au/publications/1744.html>

This report addresses the issue of future labour demand, with a focus on the demand for vocational skills. If these demands can be anticipated we can avoid the development of redundant capacity and make it easier for employers to find the skills they need, at the time when they need them, and in the places where they need them. Computer forecasting models are often used for this purpose. However, no model, no matter how carefully and cleverly constructed, can hope to remove fully the uncertainty involved in dealing with the future. This is especially so when the forecasts need to be broken down by type of skill and by region before they become useful for planning. This study examines how economists construct their projections of future skills demand; evaluates how successful the principal models used for skills projections are; and discusses how the VET sector should respond to the unavoidable uncertainty about the shape of future skills demand. Key findings:

- The MONASH model for projecting future skills needs is of high quality by international standards, but the complexity of the economy is such that it is not possible to make accurate projections of future skill needs in any detail, or for more than a few years into the future.
- New VET graduates play only a modest part in filling expanding skilled vacancies; other sources of supply are people who learn the required skills on the job and people who already have the required skills, but who are working in other jobs, are out of the labour force or are unemployed, or are migrants.
- VET planners should not try to match training to projected skills needs in any precise way; they should instead focus on distinguishing skills that are in growing demand from those in declining demand, and on skills that take a long time to learn (and to gear up to teach).
- VET planners also need to anticipate areas where there are large numbers of people with specific skills who will leave employment in the forecast period, that is, replacement demand.

What is a skill shortage 2007, Richardson S.

NCVER: <http://www.ncver.edu.au/publications/1732.html>

This report clarifies the term 'skill shortage' and explains how skill shortages can be resolved naturally by market forces. It also provides some guidance on determining when a skill shortage requires public-policy intervention. Key messages:

- While the term 'skill shortage' seems to be clear and unambiguous, in reality it is a slippery concept with many meanings. For a shortage to occur, it is necessary for the demand for a particular type of worker to exceed the supply of such workers, but the notions of supply and of demand are themselves quite inexact. Skill shortages can have many causes a general under-investment in skills development; rapid structural change combined with low levels of overall unemployment; a cyclical surge in employment in a part of the economy; and particular spots of weakness in the training system. Employers might also find that they are unable to attract the workers they want because the pay and working conditions on offer are unattractive.

- Employers look for many qualities in a worker, beyond the technical capacity to complete the required tasks. When workers are abundant, employers develop a high expectation of the level and range of qualities that new workers should possess. When workers become scarce, employers are forced to accept workers with lesser qualities (such as relevant experience, personal presentation and willingness to work flexible hours). Employers experience this as a shortage of suitable workers.
- The normal operation of the labour market, including variations in the wages and conditions of the job, will deal satisfactorily with many types of shortage. But it will not work well if there are few people with the required skills who are not already using them, and it takes a long time to acquire such skills.

Another a suite of work undertaken in 2005-2007 examined partnerships and their part in regional economic development. Several reports are listed here. There is also an **At A Glance** publication which summarises the key findings from these papers. Also relevant are reports on training needs of regional Australia and career development supports that assist disengaged adults into the workforce.

Creating synergies: Local government facilitating learning and development through partnerships 2006, Waterhouse P, Virgona C, Brown R.

NCVER: <http://www.ncver.edu.au/publications/1685.html>

This report documents the evolution and development of four 'learning communities' where local government has been involved. It investigates the challenges and complexities faced in getting these communities off the ground and the role that the vocational education and training (VET) sector has played. The study has highlighted the importance of recognising different stakeholders' values and perspectives, appreciating multiple outcomes, and proactively managing the relationships between various groups of stakeholders.

Forming, developing and sustaining social partnerships 2005, Billett S, Clemans A, Seddon T. NCVER: <http://www.ncver.edu.au/vetcontext/publications/1466.html>

Social partnerships provide communities with the capacity to address problems, such as community breakdown, unemployment and social exclusion. This report analyses the types of social partnerships that involve education in community contexts. It identifies that partnerships are complex and multi-layered and suggests that successful partnerships require: acknowledgement and negotiation of the interests and expectations of all participants; development of resource and support structures; recognition of volunteer contributions; and, development of outcomes that recognise the full range of achievements and success within the partnership.

The double helix of vocational education and training and regional development 2008, Kearns P, Bowman K, Garlick S.

NCVER: <http://www.ncver.edu.au/vetcontext/publications/1989.html>

Vocational education and training (VET) has a role to play in sustainable regional development. Through five regional case studies this research examines how well VET is tailoring supply to skill needs, how VET has become more flexible to obtain a better match between demand and supply, and whether partnerships have been linked to whole-of-government frameworks in ways which support sustainable regional development. The study concludes that successful relationships between VET and regional development require ongoing alignment both ways. Comprehensive regional frameworks could facilitate this co-development between VET and regional development.

An enterprising approach to regional growth: Implications for policy and the role of vocational education and training 2007, Garlick S, Taylor M, Plummer P.

NCVER: <http://www.ncver.edu.au/vetcontext/publications/1801.html>

This report explores patterns of regional economic growth in Australia over the period 1984 to 2002 with the aim of identifying the drivers of variation in regional growth. The research also aimed to identify regional opportunities and the policies and practices that can assist in realising them, in particular, the contribution the VET sector may make towards regional

growth. The research found that human capital, especially 'enterprising' human capital, whereby individuals take responsibility for action, is the key driver of regional growth.

Regional partnerships: At a glance, 2007 Griffin T, Curtin P.

NCVER: <http://www.ncver.edu.au/vetcontext/publications/1938.html>

This publication summarises the key messages from NCVER's research on regional partnerships and highlights the importance of good relationships between institutions, businesses and the community to facilitate regional economic growth.

Reality check: matching training to the needs of regional Australia 2008, Gelade S,

Fox T. NCVER: <http://www.ncver.edu.au/vetcontext/publications/2005.html>

This research examines the notions of match and mismatch between vocational education and training (VET) delivery and need, or perceptions of need, by industry in regional locations. It investigates how stakeholders, such as those connected to regional development boards, might use their local knowledge to leverage providers to deliver appropriate skills development. The research found that funding, economies of scale, and labour personnel do not seem to be keeping up with overall regional industry needs. Industry unequivocally acknowledges the complexities inherent in delivering training across the divergent needs of employees and prospective employees.

In training we trust: Communicating regional training need and demand to VET providers 2008, Rushbrook P, Pickersgill R.

NCVER: <http://www.ncver.edu.au/vetcontext/publications/2082.html>

This project focuses on the interpersonal networking processes, or non-market mechanisms, through which training needs are signalled to VET providers in a rural region. A detailed single case-study approach shows that VET users also consider interpersonal relationships, based on trust, when selecting programs for participation.

Enhancing career development - the role of community-based career guidance for disengaged adults 2005, Beddie F, Francesca Beddie & Associates, Lorey B, Morrison House, Pamphilon B, University of Canberra.

NCVER: www.ncver.edu.au/research/proj/nr4008.pdf

This project investigates learning and career development services for adults, in particular, those in some way disengaged from the labour market and educational systems. It took a community-based career guidance model operating in Victoria, the Crossroads project, and focused on women seeking to re-enter the workforce, older job seekers and mature-aged workers only marginally attached to the workforce. Key messages:

- A strong culture of career development needs to be built in Australia, one which has a focus on all age groups and which encourages older adults to consider career and learning options before a crisis hits.
- When made aware of what career guidance services can offer, many older adults who are disengaged from the labour force recognise their value. This indicates a potential demand for a career guidance service which is conducted face-to-face in a community setting by people with appropriate qualifications in career guidance and adult learning. Those offering advice and guidance need to be familiar with local labour market conditions and the variety of formal and informal learning options available in the community.
- Such career guidance and advice is best when it is community-based, affordable and impartial; that is, when it is one step removed from agencies offering other assistance such as welfare, job matching or training.
- Timely personal intervention in career decisions is needed, as most adults disengaged from the labour force are not likely to be proactive in seeking career guidance. In this context career advice or guidance should be offered as early as possible to enable people to make informed decisions about their options.
- Local conditions will determine how an impartial, community-based career guidance service operates. To be sustainable, they will usually require a partnership funding model, with contributions from various public agencies and some fee-for-service

revenue. In addition, providers will need to develop their counselling skills and build their capacity in terms of relationship building, negotiation, policy development, marketing, financial management and evaluation.

Finally, we draw the committee's attention to a resource it may find useful:

The Atlas of Australian public VET. NCVER: <http://www.ncver.edu.au/resources/atlas.html>

This online tool presents data from NCVER's Students and courses collection and Apprentices and trainees collection, together with a small amount of population data sourced from the Australian Bureau of Statistics. The data is presented in a selection of maps and tables at the national and state/territory levels, and in tables for the statistical divisions.