19 December 2019

Productivity Commission

Submission to the Productivity Commission Skills and Workforce Development issues paper

Sent to: www.pc.gov.au/skills-workforce

Thank you for the opportunity to contribute to the Productivity Commission, Skills and Workforce Development issues paper, November 2019 (Issues Paper), which concerns a review of the National Skills and Workforce Development Agreement (NASWD) - including whether it remains an effective long-term framework for government policy and cooperation.

Committee for Melbourne (Committee) is an apolitical, not-for-profit, member-based organisation that brings together over 140 organisations from Greater Melbourne's business, academic and civic sectors whose common purpose is to shape a better future for Melbourne.

As an independent organisation, the Committee represents no single interest group or political position but seeks to challenge conventional thinking and to develop innovative ideas to continue to enhance Melbourne's position as an economically prosperous and highly liveable global city.

In September 2016, the Committee launched *Melbourne 4.0*, a major project designed to explore how Greater Melbourne can prepare for the accelerating speed of innovation and disruption that has catapulted us to the early stages of the *Fourth Industrial Revolution*.

One of the strategic needs that emerged from Melbourne 4.0 was *Future Skills.* Our capacity to benefit from the range of economic opportunities that avail themselves in this scenario depends on our capacity to develop local people with the necessary skills to navigate its various challenges. This is especially so, given the rapidly changing nature of our economy from a resources, agribusiness and traditional manufacturing economy towards advanced manufacturing and knowledge and service-based industries.

The Committee's Future Skills Taskforce has been advocating for new policy frameworks that recognise the changing nature of the economy, and the changing nature of work. The types of changes to the education and upskilling environment that should be considered in the new economic climate, should consider the increased need for 'soft skills' such as innovation, creativity and collaboration and technical skills for an increasingly digital economy. The need for micro-credentials to facilitate the upskilling of the workforce should also be considered. The taskforce has made

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submissions to a range of government reviews focused on the future skills agenda and the changing nature of work, including:

- The Melbourne Declaration Review
- Inquiry into sustainable employment for disadvantaged jobseekers
- The Australian Qualifications Framework (AQF) Review
- Temporary Skilled Visa System

The Committee is therefore well positioned to make a submission to the Issues Paper. The Issues Paper highlights that:

> "The NASWD's objectives are to ensure the vocational education and training (VET) system delivers a productive and highly skilled workforce; enables all working age Australians to develop the skills and qualifications needed to participate effectively in the labour market and contribute to Australia's economic future; and supports increased rates of workforce participation."

The Committee is extremely interested in the context of a highly-skilled future workforce, to ensure that the NASWD's framework is flexible enough to include skilling the workforce for a future economy and the changing nature of work. This includes skilling young people as they head towards work, as well as upskilling the existing workforce. The Committee's response to the Issues Paper will primarily focus on the importance of fostering development of micro-credentials and, with particularly reference to Issues Paper's scope, this submission will comment on funding opportunities for micro-credentials.

Employer response to changing nature of work

Transformation of work is changing the portfolio of skills needed. Foundation for Young Australians' (FYAs') research outlines the kind of skills and mindset our workforce needs now and into the future. FYAs' reports suggest the growing importance of enterprise skills, such as critical thinking, problem solving and collaboration, will also need to be portable across jobs[1]. A 15-year-old today is predicted to have 17 different jobs across five different careers over their lifetime[2]. Under the Melbourne 4.0 strategy, the Committee's members collectively recognised that changing future-focused skills would be required for a workforce altered by automation, driven by the Fourth Industrial Revolution.[3]

The Future Skills Taskforce conducted a survey of its members to determine what learning trends would be most important for the future. The survey identified there is an urgent need to update the skills of the current and future workforce - a process called lifelong learning[4]. World Economic Forum

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[1] Foundation for Young Australians (2017) "The New Work Order". Available at: https://www.fya.org.au/wp-content/uploads/2017/07/NWO_ReportSeriesSummary-1.pdf
[2] McCrindle Research (2014) "Job mobility in Australia" using HILDA and Department of Employment data. Available at: http://mccrindle.com.au/the-mccrindle-blog/jobmobility-in-australia
[3] Committee for Melbourne (2017) "Melbourne 4.0 report". Available at: http://melbourne.org.au/cms_uploads/docs/melbourne-4.0-report_web.pdf
[4] Committee for Melbourne (2019) "Future Skills Taskforce Survey"

research shows that investment in skills in terms of hours committed to learning will need to double by 2040 (from 300 to 600 billion hours) due to the rapidly changing world of work. In fact, by 2040, 41% of the average worker's total education and training will need to occur after the age of 21.[5]

There are already many opportunities to address and formally recognise future technical skills, such as qualifications from public and private providers and online training providers. However, often these skills can be addressed by discrete units of learning, rather than full qualifications. These discrete units of learning are commonly termed 'micro-credentials'.

The Committee's members have provided examples of how employers are already using methods to upskill, reskill and promote lifelong learning amongst their employees. The case studies below show that employers are already trialling methods to upskill or reskill workers in discrete, future-focused skill sets in a dynamic work environment. The responses from the survey have been anonymised.

Case Studies: Committee for Melbourne members

Organisational-based skills recognition
A statutory government agency introduced 'success profiles' which measure a range of technical and enterprise skills on a continuum from foundation to expert. Employees go through a professional development planning process and then can move up levels of competency by reaching a certain target of activities within a prescribed skill set. The success profiles have two major benefits for the organisation: (1) It is easy to align success profiles to internal opportunities for promotion or movement; (2) It promotes continuous and measurable development goals for employees.

A professional services firm uses a similar system to the above. Their 'badge system' promotes future-focused skills by encouraging individuals within the organisation to work towards internally recognised skills training with a particular focus on digital skills such as artificial intelligence and machine learning.

Experiential learning
Several organisations across a range of industries and sectors indicated they recognise the value of various forms of experiential learning including: learn and share sessions; on-the-job learning (learning by doing); and cross-functional working groups and mentoring to gain specific skills as required.

Aspirational structure and titles
A land management authority structures its organisation to ensure it remains future-focused. This includes altering the way departments are structured, to be cross-functional, and ensuring job titles don't just reflect the current role but also indicate aspirational skills for the individual and organisation.

The above examples of organisational-based skills recognition and experiential learning by employers demonstrates a shift towards the use of 'micro-credentials' to allow agile transformation of their workforce's skills. The VET system could learn from these types of frameworks and small
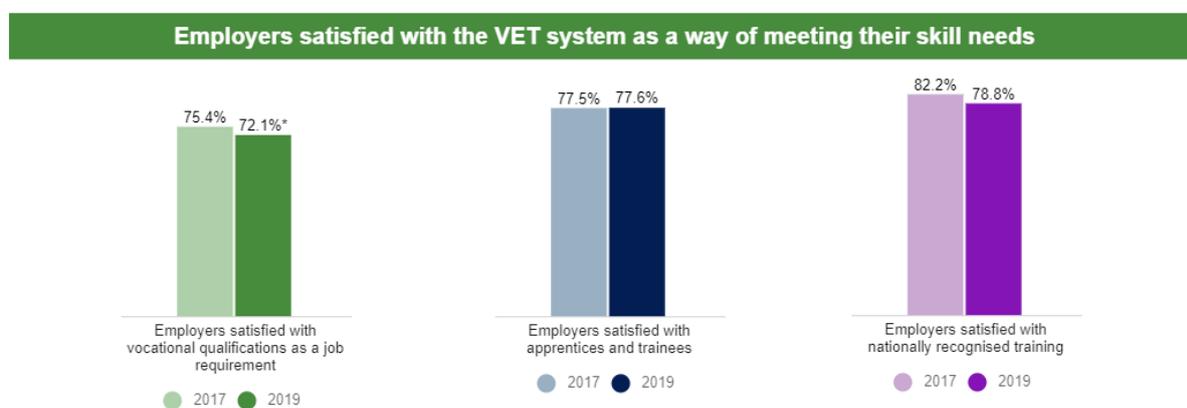
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[5] World Economic Forum (2018), "The Future of Jobs Report". Available at: http://www3.weforum.org/docs/WEF_Future_of_Jobs_2018.pdf

courses, to develop accredited and recognised small courses which train people for the new skills that are needed in a modern workforce.

Vocational Educational and Training is primarily *"to gain qualifications for all types of employment, and **specific skills to help them in the workplace**."*[6] (emphasis added) Given VET's stated imperative of providing specific skills for the workplace, it is expected the system would be able to respond to the changing nature of work and reflect changes in employer's needs for different types of skills over time. The graph below, based on a National Centre for Vocational Educational Research (NCVER) survey of employers regarding the VET system, shows that employer satisfaction with the VET system has dropped between 2017 to 2019 (Figure 1). This may be due to the VET system's unresponsiveness to changing learning practices and the lack of suitable offerings in terms of micro-credentials.

The Joyce Review, conducted in November 2018, was an independent review of Australia's vocational education and training (VET) sector to examine ways to deliver skilled workers for a stronger economy. The review confirmed the potential lack of responsiveness of the VET sector in the observation, *"training content is not developed in a timely way, so nationally recognised qualifications available do not always match those needed in the economy."*[7] Micro-credentials may increase agility and responsiveness in the VET sector to employers' needs through tailoring specific skills for training in discrete units. Of course, micro-credentials would not replace the need for the workforce to still obtain the fundamental foundation qualifications.

Figure 1: Employers satisfaction with VET

Employers satisfied with the VET system as a way of meeting their skill needs

75.4% | 72.1%*
Employers satisfied with vocational qualifications as a job requirement
● 2017 ● 2019

77.5% | 77.6%
Employers satisfied with apprentices and trainees
● 2017 ● 2019

82.2% | 78.8%
Employers satisfied with nationally recognised training
● 2017 ● 2019

Source: https://www.ncver.edu.au/research-and-statistics/infographics/employers-use-and-views-of-the-vet-system-2019

For micro-credentials to be widely provided within VET to meet the changing nature of work over time and employers' needs, two elements are required:

- Recognition of the micro-credentials through the Australian Qualifications Framework (AQF)
- Appropriate funding for micro-credential courses

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[6] https://www.asqa.gov.au/about/australias-vet-sector
[7] https://www.pc.gov.au/inquiries/current/skills-workforce-agreement/issues/skills-workforce-agreement-issues.pdf

Micro credentials and the AQF

The recently published AQF review considered the role of micro-credentials, publishing the following recommendations:

> *"9. Develop guidelines in the AQF Qualifications Pathways Policy to facilitate the recognition of shorter form credentials, including micro-credentials, for credit, that include the following:*
>
> > *a. The characteristics to be included in shorter form credentials that would facilitate their recognition for credit transfer or articulation to AQF qualifications.*
> >
> > *b. The principles to be used by institutions that wish to align shorter form credentials to an AQF band.*
>
> *10. Consider developing an AQF qualification type (not necessarily aligned at a band) for domestic post-secondary enabling programs, once common learning outcomes for enabling programs have been developed."*[8]

Recognition, or alignment, of micro-credentials within the AQF may be vital to the VET sector because this will give access to pathways to other education and may open access to government funding for these courses. Furthermore, alignment or recognition will standardise the understanding of micro-credentials on a national level – a key concern raised in the Issues Paper. If micro-credentials are brought into the AQF framework however, consideration about how to continue to make them flexible and adaptable to meet changing needs, will also be required.

Funding and micro credentials

Government currently subsidises or offers loans to a range of VET courses. However discrete units of study, or micro-credentials, are currently underfunded. As the Issues Paper highlights (p 7), "*At present, governments express their preference for job-related courses by directing most public funding towards those conferring full qualifications*" (Joyce Review).

As outlined above employers are already implementing learning frameworks that recognise micro-credentials. However, this ad hoc process depends on individual employers funding their teams. There may be a large proportion of the workforce that does not have access to such training, for example, if their employer does not provide it, or if they are self-employed or not employed at all. Therefore, an opportunity exists for the VET sector to provide micro-credentials that are recognised qualifications (under the AQF framework) and also government funded.

A government funding regime, similar to other VET course, for micro-credentials, should also be provided, for example, through subsidies or loan arrangements. This will enable greater to access courses from all walks of life, through the VET sector, enabling skills to be obtained to meet the constantly evolving nature of work.

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[8] https://docs-edu.govcms.gov.au/system/files/doc/other/aqf_review_2019_0.pdf

Shaping Melbourne's future

Conclusion

Committee for Melbourne makes the following recommendations to the Productivity Commission's review into funding and streamlining of the VET sector:

Recommendations

1. Micro-credentials are recognised, or aligned, to the AQF and therefore accredited

2. Micro-credentials have access to government subsidies or loan schemes, similar to other VET courses

The Committee looks forward to working with the Federal Government and the Productivity Commission to provide insights from our members and stakeholders to ensure Greater Melbourne remains prosperous into the future.

Yours sincerely,

Martine Letts| Chief Executive Officer