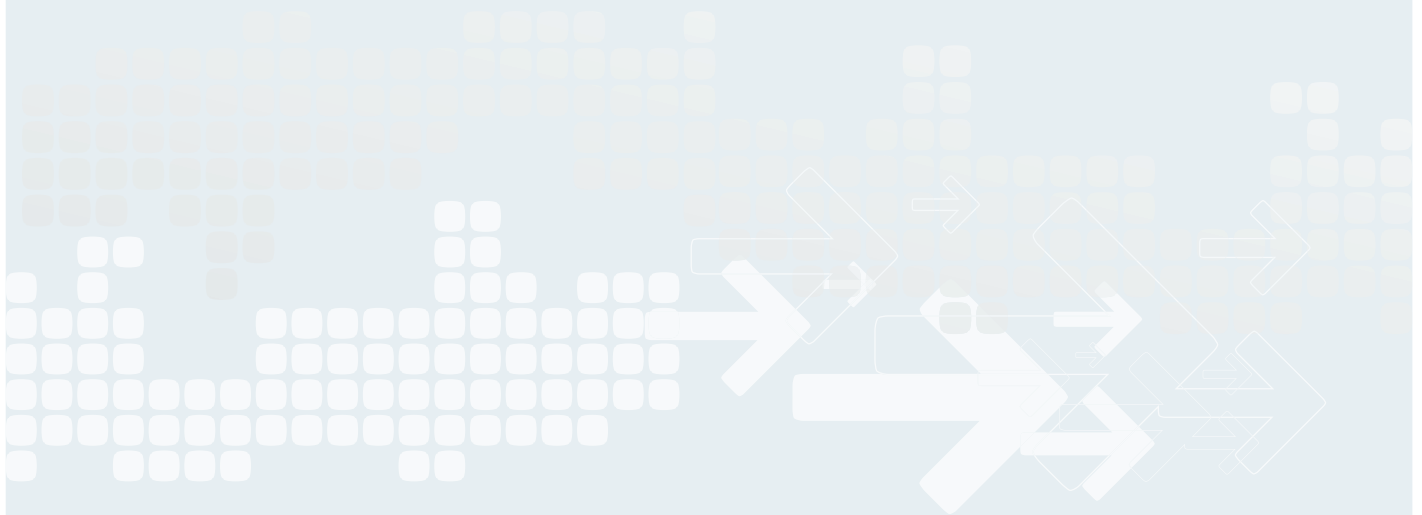


Getting it Right: Foundation Skills for the Workforce

OCTOBER 2013



AUSTRALIAN INDUSTRY GROUP



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Executive Summary

Australian workplaces are dynamic and constantly changing and the workforce needs to be as well. Progressively higher levels of language, literacy and numeracy (LLN) are required to respond to increasing skills requirements for the changing economy.

International surveys and our own research tell us that there are significant LLN issues for the workforce. This report includes findings from our latest survey and paints a disturbing picture. 93% of surveyed employers identified a wide range of impacts on their businesses from low level literacy and numeracy skills.

The most significant impacts were inadequate completion of workplace documents and reports (21%), time wasting (17.7%) and materials wastage (11.5%). In addition, employers indicated what corrective measures they had tried. Over 30.4% of companies provided internal company training and 20% offered skill development support.

This survey demonstrates that the Workplace English Language and Literacy (WELL) program has had insufficient impact on employers. Only 7.1% of surveyed employers had used the program.

It is time to implement priority three, *strengthen foundation skills in the workplace*, through the National Foundation Skills Strategy. We need to keep a focus on the positive link between higher levels of LLN and business productivity.

We are contributing to this national effort through our current research project on the Return on Investment to employers participating in the WELL program. Results will be known towards the end of next year and we anticipate that this will encourage employers to increase their participation in workplace LLN programs.

There is much to be done: a national public awareness campaign through the Strategy; an expansion of the WELL program to meet industry needs; take-up of the new Foundation Skills Training Package; strengthening the WELL broker service; greater development of the capacity of the LLN workforce and the introduction of the workplace champions initiative.

The Australian economy needs to lift productivity and we cannot do this without increasingly higher levels of the workforce foundation skills as an urgent national priority.

Innes Willox

Chief Executive
Australian Industry Group





KEY POINTS

- ▶ Employers continue to be highly concerned about low levels of workplace literacy and numeracy.
- ▶ 93% of employers identified some impact on their business of low levels of literacy and numeracy.
- ▶ Employers mainly seek to better address this through internal company training and skill development support.
- ▶ Only just over 7% of employers have used the WELL program strengthening the need for an awareness campaign through the National Foundation Skills Strategy.
- ▶ The National Foundation Skills Strategy, targeting workforce requirements, needs to be implemented in concert with industry.
- ▶ A national public awareness campaign required to raise importance of the issue.
- ▶ The WELL program needs reform and expansion to better address workforce skills.
- ▶ The WELL broker service be reviewed.
- ▶ A network of workplace champions be implemented.
- ▶ The capacity and capability of the foundation skills workforce needs to be lifted.

Why are workplace language, literacy and numeracy skills important?

Modeling undertaken by the Australian Workforce and Productivity Agency indicates an increased industry demand for higher level skills. This will be difficult to achieve with 4.2 million, or 40% of the workforce currently below the minimum language, literacy and numeracy (LLN) standard needed to function in a knowledge economy. Building LLN skills is critical to increasing labour force participation and increasing productivity in a higher skilled economy.

Australian workplaces are dynamic and constantly changing. The workforce needs to respond to increasing skills requirements brought about by new technologies, new work processes and increased compliance and quality assurance measures. Progressively higher levels of language, literacy and numeracy are required to support this.

Ai Group's *Skilling the Existing Workforce*¹ project drew attention to this. The report noted that employees from non-English speaking backgrounds and those with LLN issues were less likely to participate in all forms of skills training and less likely to benefit from any training they undertook.

What is the current situation?

In 2006 the Australian Bureau of Statistics (ABS) conducted the Adult Literacy and Life Skills survey. Just over half (54%) of Australians aged 15 to 74 years have been assessed as having the literacy skills needed to meet the complex demands of everyday life and work. Results were similar for document literacy (53%) and numeracy, with 47% achieving this level. Major attention was devoted to this issue in the wake of the survey which found that many Australians were below level 3, generally accepted as the "minimum required for individuals to meet the complex demands of everyday life and work in the emerging knowledge-based economy."²

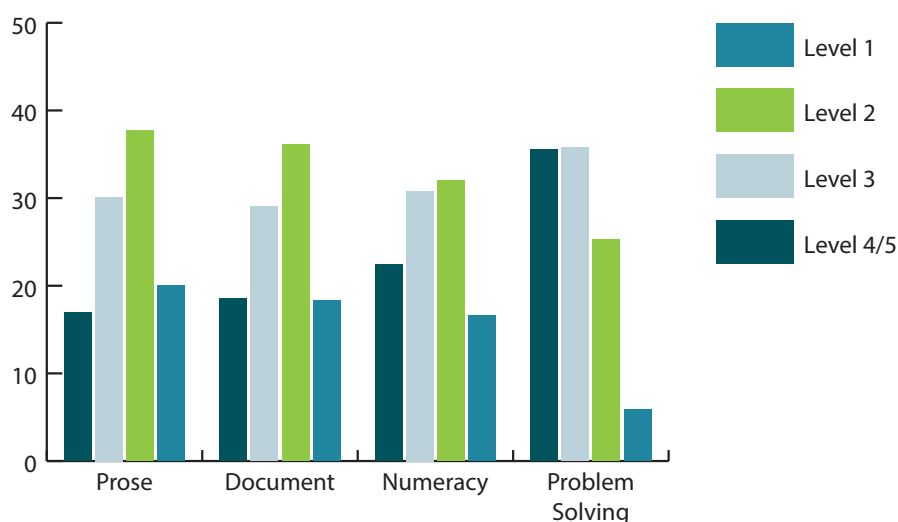
Capability was measured in the areas of Prose Literacy, Document Literacy, Numeracy and Problem Solving shown in Chart 1.

¹ Australian Industry Group, *Skilling the Existing Workforce*, Final Project Report, December 2008.

² 4228.0, *Adult Literacy and Life Skills Survey*, Summary Results, 2006 (Reissue), Australian Bureau of Statistics.



Chart 1: Proportion at each Skill Level (ALLS Survey)

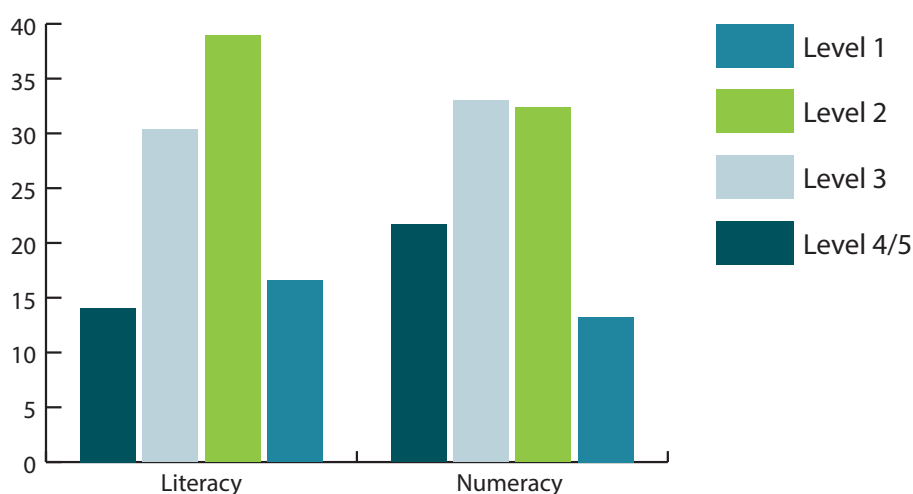


These results translate as follows:

- > 46% of those aged 15 – 74 years had prose literacy scores below level 3
- > 47% of those aged 15 – 74 years had document literacy scores below level 3
- > 53% of those aged 15 – 74 years had numeracy scores below level 3; and
- > 70% of those aged 15 – 74 years had problem solving scores below level 3.

This data was updated in 2013 with the recent release of the Programme for International Assessment of Adult Competencies (PIAAC)³ and is provided in Chart 2.

Chart 2: Proportion at Each Skills Level (PIAAC)



³ 4228.0, Programme for the International Assessment of Adult Competencies, Australia, 2013, Australian Bureau of Statistics.



Getting it Right: Foundation Skills for the Workforce

The overall results indicate that 44% of Australians aged 15 – 74 had literacy skills below level 3 and that 55% had numeracy skills below level 3. This represents a slight improvement in literacy and a slight deterioration in numeracy. It is clear that a major problem still exists.

Ai Group research highlighted that 75% of employers reported that their business was affected by low levels of LLN.⁴ Poor completion of workplace documents, time wasting, ineffective work, materials wastage and ineffective training all resulted in reduced productivity. Of the respondents that had LLN issues, only 8% indicated that they had sufficient capacity to assist in lifting the LLN levels in their workforce.

The Workplace English Language and Literacy (WELL) program is the main training response for workplace LLN issues. However, the reach of the program is well short of the required need. The evaluation of this program notes that over the last five years more than 72,000 employees and 530 Indigenous Employment Program participants completed WELL training.⁵ According to the ALLS survey there are over 4 million employees below level 3, the minimum standard.

The Australian Government provided additional funding for WELL training in the 2010 – 2011 Budget and then a further \$20 million for four years for an extra 13,000 places in the 2011 – 2012 Budget.⁶ The 2012 – 2013 Budget allocated \$28.8 million to service 12,500 places and the 2013 – 2014 Budget Estimate is 14,700 places.⁷

Employers lack awareness about the program which has been highlighted by the Industry Skills Councils.⁸ In addition, the evaluation of the WELL program reported that more than 80% of surveyed employers were unaware of the program. The program evaluation also indicated that three quarters of the surveyed employers reported that cost was the biggest barrier to their participation in the this co-funded program.⁹ This is especially an issue for small business who have particular difficulty being able to release staff for foundation skills training.

There is also a major issue concerning the LLN workforce. There is a current shortage of qualified LLN practitioners in terms of the anticipated increased demand for training. Additionally, the National Foundation Skills Strategy has identified building the capacity of LLN workforce as a national priority through measures such as funding for professional development courses.¹⁰

In addition to specific WELL training the workforce would benefit from integrated training which combines LLN training with more occupationally specific training. It is difficult to see how all of the LLN workplace learning needs can be met through stand-alone LLN specific training. In order to achieve critical mass it will be necessary to expand integrated training as well.

While acknowledging the need for integrated training it is important for occupationally specific trainers to also be accomplished in the delivery of LLN. There is a danger that the LLN component of integrated training will get lost and either not be delivered, or be ineffectively delivered. Accordingly there is a need to increase the LLN capacity of the general VET workforce.



4 Australian Industry Group, *National Workforce Literacy Project*, Final Project Report, January 2012.

5 *Strengthening Foundation Skills in the Workplace*, Final Report, 22 February 2012, Third Horizon, pages 4 - 5.

6 Australian Government, 2011, Budget paper no. 2, Commonwealth of Australia, Canberra, pages 152 – 154.

7 DCCSRTE 2013, Budget Statements 2013 – 2014, page 103.

8 Industry Skills Councils, *No More Excuses: an industry response to the language, literacy and numeracy challenge*.

9 *Strengthening Foundation Skills in the Workplace*, Final Report, 22 February 2012, Third Horizon.

10 *National Foundation Skills Strategy for Adults*, Standing Council on Tertiary Education Skills & Employment, Commonwealth of Australia, September 2012.



What are employers saying?

The *Survey of Workforce Development Needs 2012* addressed the issue of workplace literacy and numeracy. Specifically, the survey asked about the impact of low literacy and numeracy skills on business and what measures have been used by workplaces to make improvements in this area. In relation to the impact of low literacy and numeracy skills on business, employers reported the following:

Chart 3: Impact of low literacy and numeracy on business



Over 93% of surveyed employers identified a wide range of impacts on their businesses. Only 6.6% of employers thought that this issue was not applicable to them. The most significant effects were:

- > Inadequate completion of workplace documents or reports (21%)
- > Time wasting (18%)
- > Material wastage (11%)

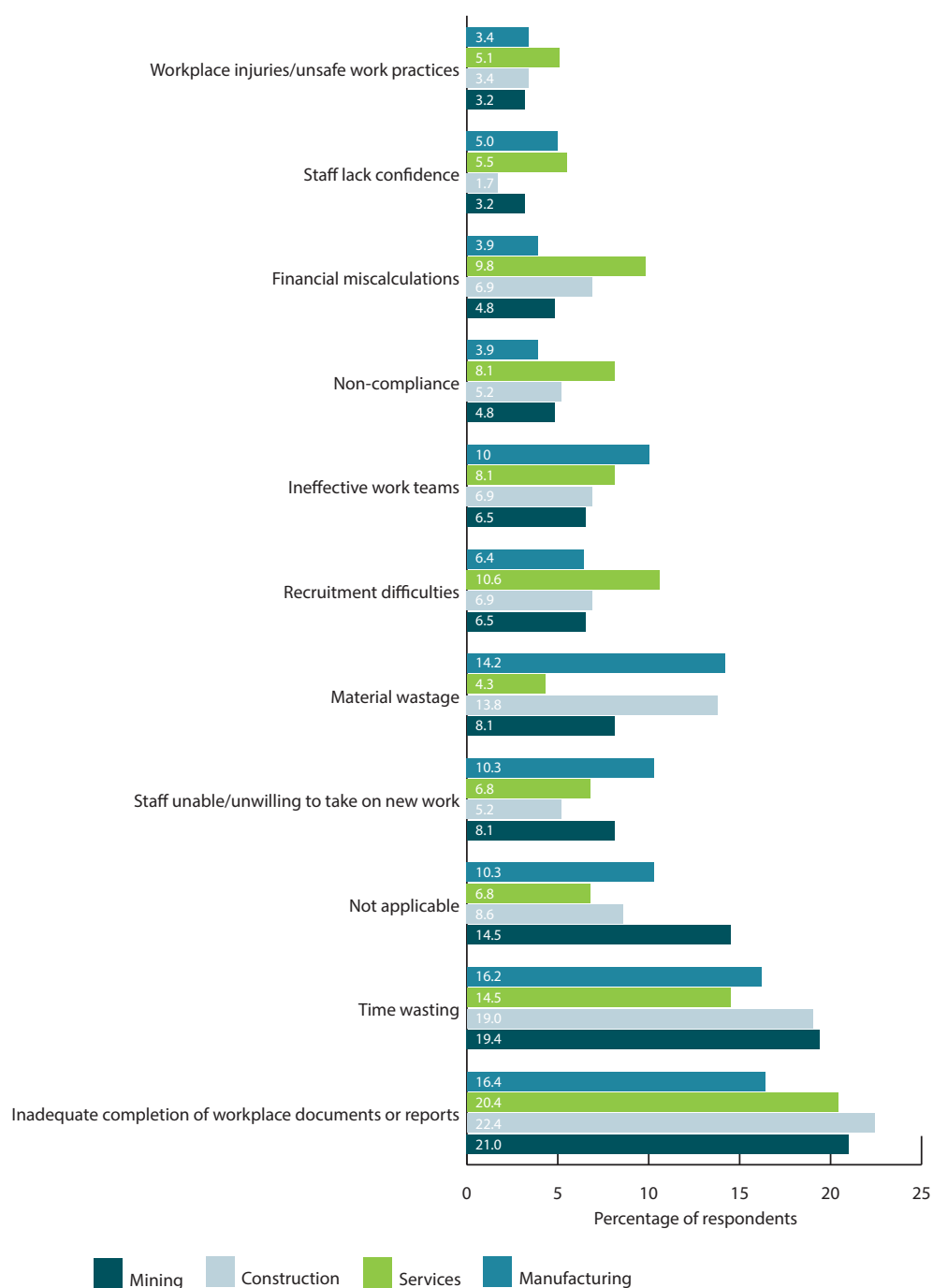
These results are very similar to those reported in a previous survey undertaken as part of the *National Workforce Literacy Project*.

Across industry sectors there was some variation from the effects of inadequate LLN capabilities (see Chart 4). Inadequate completion of workplace documents and reports was shown to be most strongly experienced across construction (22.4%), mining (21%) and services sectors (20.4%). Time wasting was also a large issue for mining (19.4%) and construction (19%) compared to manufacturing (16.2%) and services (14.5%).

Manufacturing experienced the highest levels of materials wastage (14.2%) followed by construction (13.8%) and mining (8.1%). Staff being unable/unwilling to take on new work and ineffective work teams most affected the manufacturing sector, 10.3% and 10% respectively, while low levels of LLN impacting on recruitment difficulties (10.6%), financial miscalculations (9.8%) and non-compliance (8.1%) were most strongly felt in the services sector.

Getting it Right: Foundation Skills for the Workforce

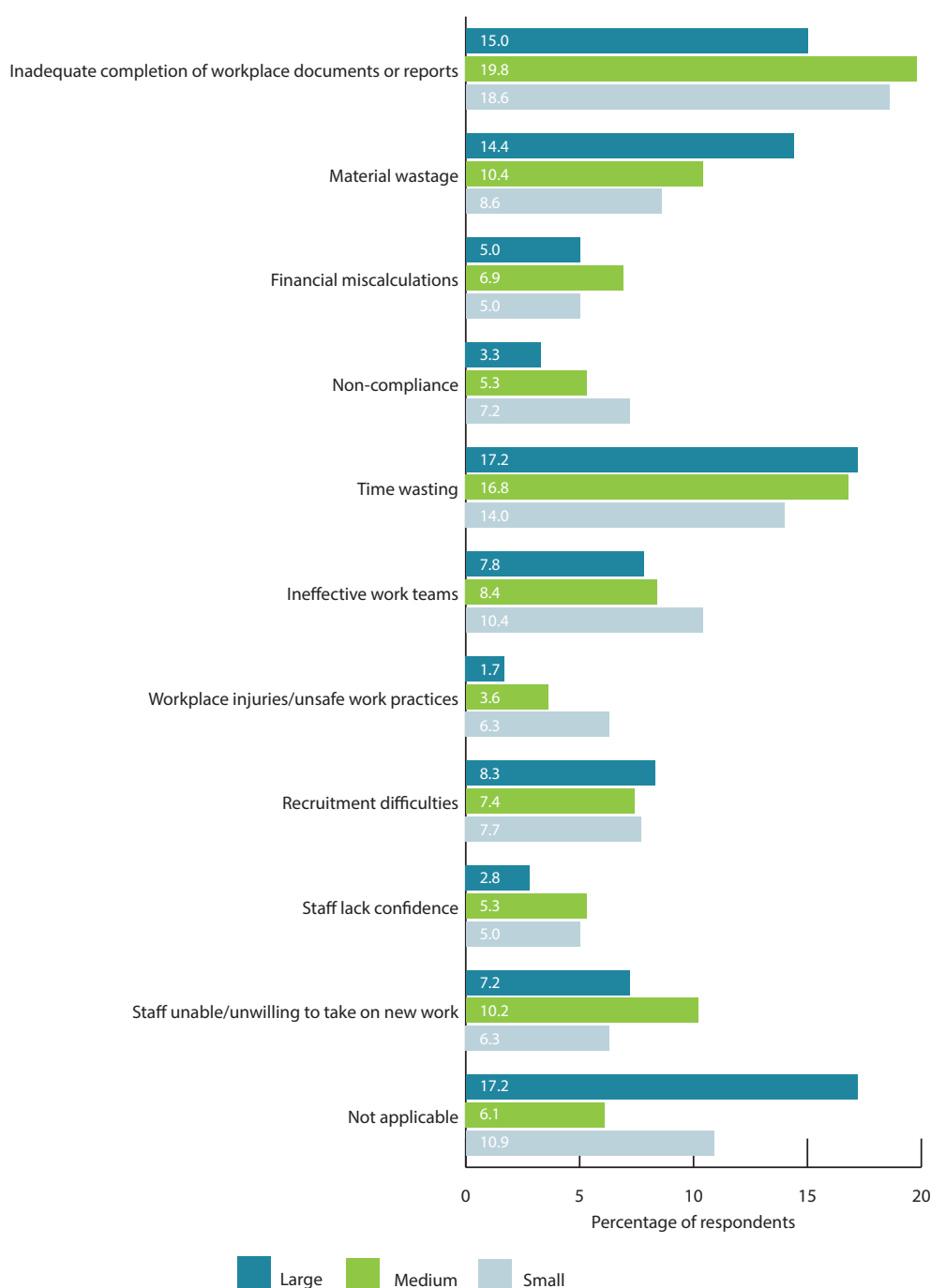
Chart 4: Impact of low literacy and numeracy on business by industry sector



The impact of low LLN capability had an effect on all businesses responding to the survey, regardless of business size.



Chart 5: Impact of inadequate literacy and numeracy on business by company size



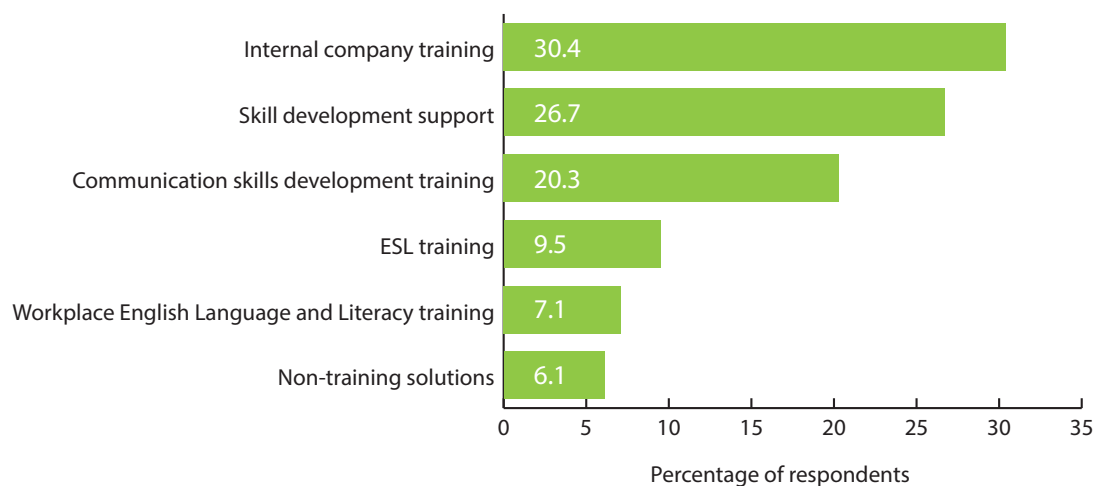
Inadequate completion of workplace documents and reports was more prominent in medium (19.8%) and large (18.6%) companies than it was in small businesses (15%). While time wasting was more keenly felt in small (17.2%) and medium enterprises (16.8%) it was also reported in large enterprises (14%). Small enterprises were the most concerned about material wastage (14.4%), while large companies most often reported ineffective work teams (10.4%) and medium enterprises reported staff unable or unwilling to undertake new work (10.2%).



Getting it Right: Foundation Skills for the Workforce

Employers were also asked whether they had tried any measures to improve workplace literacy and numeracy. The results are shown in the following chart.

Chart 6: Industry responses to issue



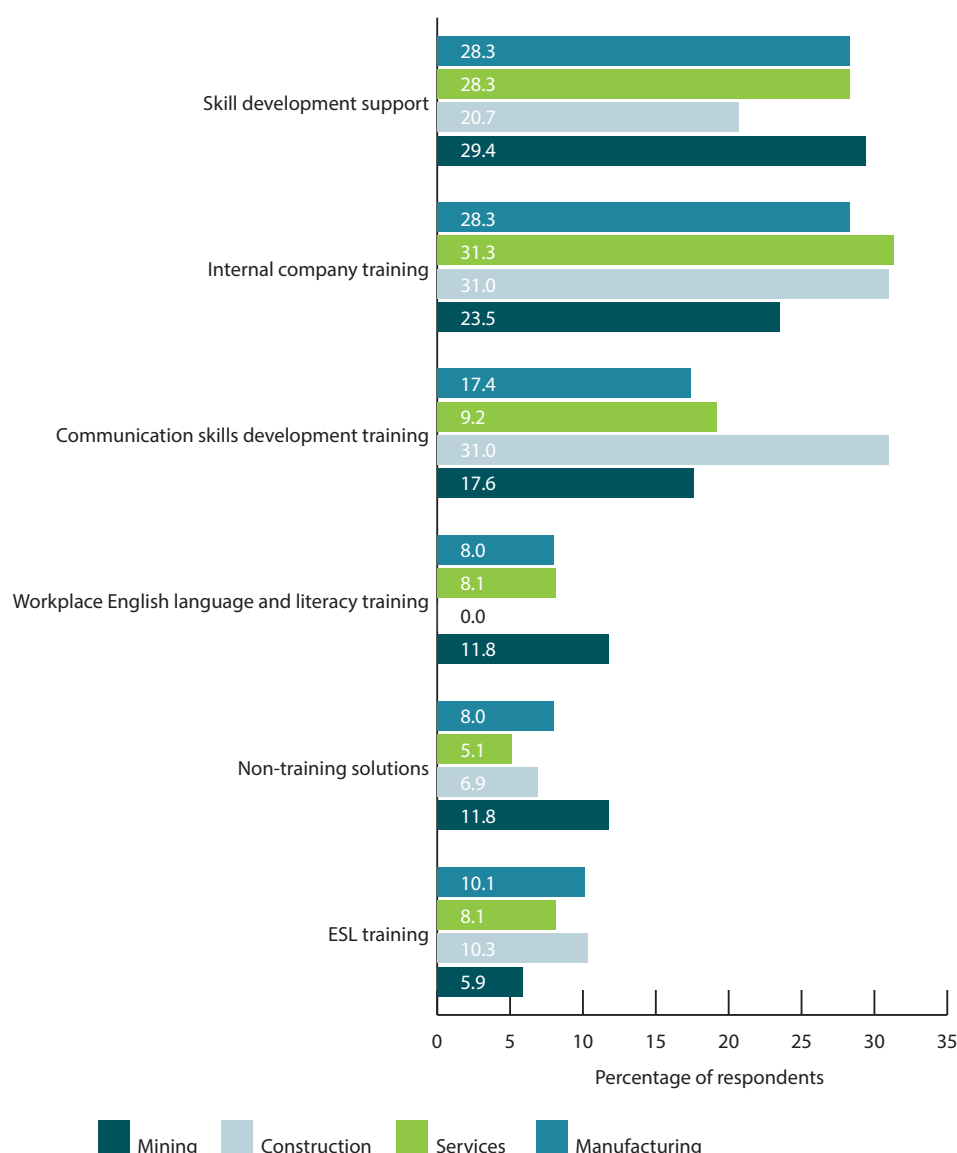
Employers indicated that they have tried various methods to increase the levels of literacy and numeracy within their workplaces. Employers are attempting to lift the level of LLN within their workplaces as shown in Chart 6. Over 30% of businesses overall provide internal company training, while 26.7% offer skill development support. Businesses also provide communication skills development training (20.3%), English as a second language (9.5%) and the WELL program (7.1%).

What the survey confirms is that few employers utilise the WELL program – only 7.1% of those surveyed. This demonstrates that this program has made insufficient impact with employers. This is no doubt due in part to limited awareness of the existence of this workplace option. The National Foundation Skills Strategy has highlighted the need for a public awareness campaign about literacy and numeracy issues and measures available to assist. These results underline the urgency of such a campaign.

There were some variations in the responses across industry sectors.



Chart 7: Industry responses to issue by industry sectors



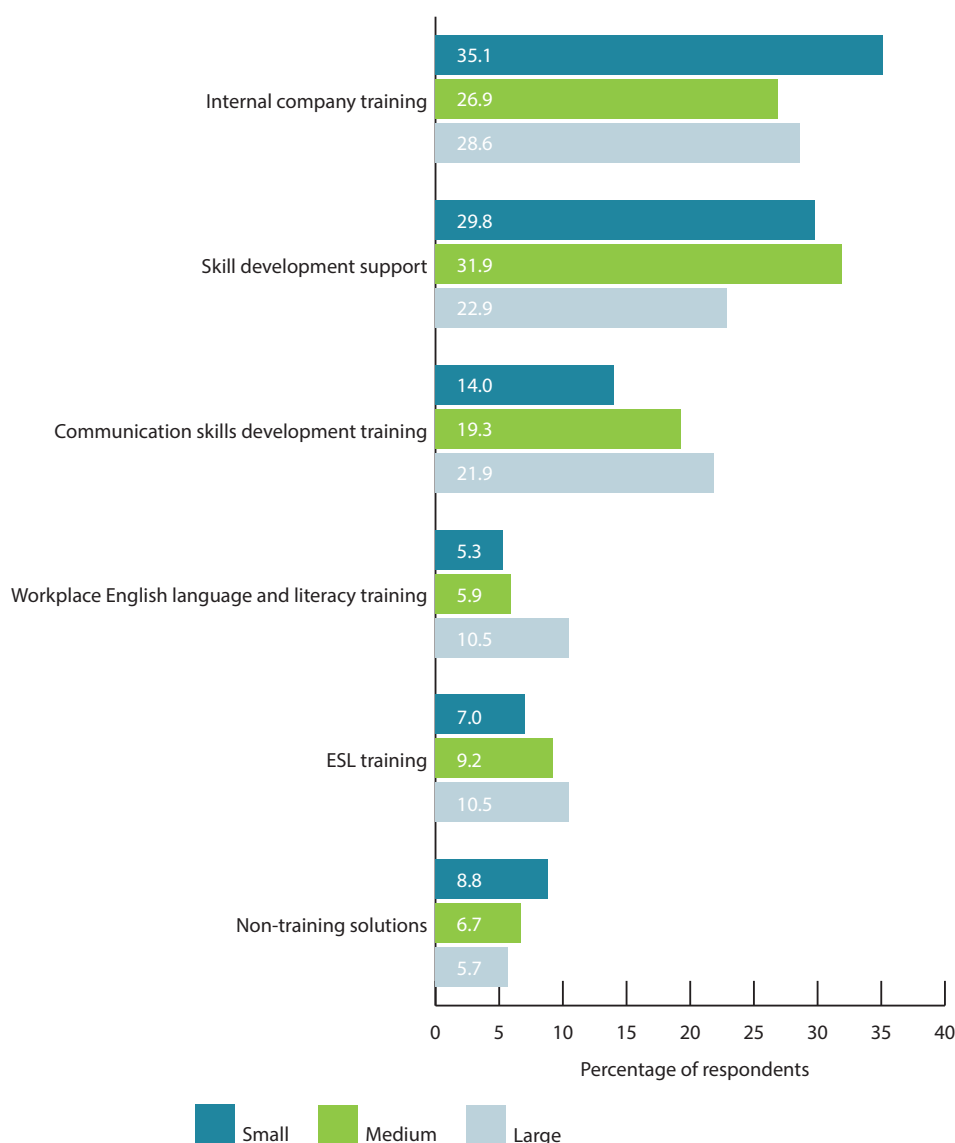
While there was little variation across sectors in terms of internal company training, the construction sector had a more significant focus on communication skills development training (31%). The most significant response from the mining industry was in relation to skill development support (29.4%). The mining sector was also most likely to implement non-training solutions (11.8%).

Participation in WELL projects drew a mixed response. Mining had the most (11.8%), while services (8.1%) and manufacturing (8%) had similar responses.

Finally, these results can be viewed from a company size perspective as in Chart 8. Internal company training was most likely to be utilised by 35.1% of small businesses, while medium sized enterprises favoured skill development support (31.9%) more than large or small businesses. Large enterprises were prominent in communication skills development training (21.9%) and were more likely to provide ESL training.

In terms of involvement in WELL programs, large companies (10.5%) are much more likely than medium (5.9%) or small companies (5.3%) to participate. This may be the result of either increased awareness by larger companies or cost inhibitors for smaller sized companies.

Chart 8: Industry responses to issue by company size



What needs to be done?

NATIONAL FOUNDATION SKILLS STRATEGY

The formation of the National Foundation Skills Strategy for Adults established the target of at least two thirds of working age Australians to have the literacy and numeracy skills needed to take full advantage of opportunities afforded by the new economy by 2022.¹¹ This equates to Level 3 or above on the ALLS or equivalent standard of the PIACC.

Work has commenced on priority area four of the national strategy - *building the capacity of the education and training workforces to deliver foundation skills*. The focus of this set of projects is on training providers and LLN practitioners. At this stage there are no specific measures for priority three – *strengthening foundation skills in the workplace*.

¹¹ *National Foundation Skills Strategy for Adults*, Standing Council on Tertiary Education Skills & Employment, Commonwealth of Australia, September 2012.



LINKING TO PRODUCTIVITY

There is a positive link between education and skill level of individuals and productivity outcomes for businesses. The Organisation for Economic Co-operation and Development (OECD) found in their *Better Skills, Better Jobs, Better Lives* report, that boosting skills is becoming increasingly important for nationwide economic prosperity.¹²

The Productivity Commission has also established links between literacy and numeracy skills and labour market outcomes. An improvement in literacy and numeracy skills from level 1 to level 3 would increase the likelihood of labour force participation by 15% for women and 5% for men. It was also estimated that the same increase in LLN skills would increase hourly wage rates by 25% for women and 30% for men.¹³

The Australian Industry Group is contributing to this stock of information through current research on the Return on Investment for employers participating in WELL programs.¹⁴ The intention of this project is to further show the links between LLN training and productivity and demonstrate a business case for employers to invest in this training. The major thrust of this will be Return on Investment information so that businesses have quantitative data upon which to make informed decisions about LLN training. Outcomes will be known and distributed towards the end of 2014.

RAISING AWARENESS AND PROMOTING WELL

The National Foundation Skills Strategy advances a national public awareness campaign as a major focus. Within this a targeted workplace strategy is required and industry needs to be involved in the planning. This requires more effective targeting of priority workplaces. The current method of allocating funding to WELL projects is on a competitive grants basis rather than any notion of priority workplaces, or even industry sectors. For example, the ALLS survey data reveals that the manufacturing industry has a significant proportion of workers operating below the minimum required but this industry only received 18% of the WELL funding for 2007 – 2011.¹⁵

There is a need to do more to promote and fund the WELL program. The program is not well known by employers and there is little coverage given the need. The National Foundation Skills Strategy, in consultation with industry, should establish annual target numbers of employees and allocate funding in a targeted way focusing on areas of greatest need. A more strategic approach is required than the current model.

The network of WELL Brokers is another potential way of raising employer awareness about the program. There are currently ten of these allocated to various Industry Skills Councils with the task of marketing the program and assisting employers with applications. This model should be expanded to look for further opportunities to deepen employer engagement and coverage.

BUILDING EDUCATION AND TRAINING WORKFORCE CAPABILITY

More needs to be done to address the shortfall of qualified LLN practitioners. A government response to this has been the introduction of the LLN Practitioners Scholarships Program which provides financial assistance to enable practitioners to undertake LLN qualifications. Vocational Graduate Certificates and Diplomas have been undertaken through this initiative. The numbers are limited and in the first three years 255 scholarships have been awarded.¹⁶

Raising the LLN capability of the general VET workforce is a further challenge. Nationally recognised qualifications and skill sets are required to support the development of the VET workforce in this regard. Innovation and Business Skills Australia (IBSA), the relevant Industry Skills Council, is introducing important measures in this regard. A new skill set is under development to provide vocational practitioners with the skills and knowledge to address the LLN needs of their learners. In addition, the LLN elective in the Certificate IV in Training and Assessment program will become mandatory from 2014 and will also be a core unit in the Diploma of VET.¹⁷

¹² <http://skills.oecd.org/documents/OECDSkillsStrategyFINALENG.pdf>

¹³ Shomos, A. *Links Between Literacy and Numeracy Skills and Labour Market Outcomes*, Productivity Commission Staff Working paper, 2010, Melbourne.

¹⁴ *Building Employer Commitment to Workplace Literacy and Numeracy Programs* (current project).

¹⁵ *Strengthening Foundation Skills in the Workplace*, Final Report, 22 February 2012, Third Horizon, page 17.

¹⁶ <http://www.innovation.gov.au/Skills/LiteracyAndNumeracy/LanguageLiteracyAndNumeracyPractitionerScholarshipsProgram/Pages/default.aspx>

¹⁷ Innovation and Business Skills Australia, 2012, Skill set for addressing foundation skills in vocational practice.



ESTABLISHING WORKPLACE CHAMPIONS

The National Foundation Skills Strategy for Adults calls for the introduction of workplace champions to “act as ambassadors and promoters of foundation skills training and would help to connect employers and employees with information on foundation skills.”¹⁸

The Ai Group is in a sound position to support this work as a result of the insights and experience gained through the conduct of two national projects in this area and its links with the wider WELL network. This network could initially be conducted on a pilot basis prior to any full implementation as a component of the National Strategy. There is potential to use such champions on a wider scale beyond their own workplaces.

OTHER NATIONAL INITIATIVES

The Foundation Skills Training Package has now been endorsed by the National Skills Standards Council.¹⁹ The training package includes two Certificate I programs, one Certificate II and 84 units of competency. This will be a valuable resource for LLN practitioners to utilise. It is important that Registered Training Organisations include this on their scope of delivery and commence implementation.

The Australian Workforce and Productivity Agency’s report has drawn attention to a number of LLN diagnostic tools under development.²⁰ These would be useful to assist in the process of self-assessment of LLN skills. It would be important for an online LLN diagnostic tool to be national in application and to be based on the Australian Core Skills Framework. From a workforce LLN perspective these would be useful for a LLN practitioner to use as a pre-assessment as part of the WELL program.

¹⁸ National Foundation Skills Strategy for Adults, Standing Council on Tertiary Education Skills and Employment, September 2012, page 18.

¹⁹ <http://training.gov.au/Training/Details/FSK>

²⁰ *Future focus: 2013 National Workforce Development Strategy*, Australian Workforce and Productivity Agency, March 2013, page 95.



Recommendations

NATIONAL FOUNDATION SKILLS STRATEGY

- 1 The Australian Government, as a matter of urgency, commence consultations with industry to implement priority three, *strengthening foundation skills in the workplace*, of the National Foundation Skills Strategy.

NATIONAL PUBLIC AWARENESS CAMPAIGN

- 2 A national public awareness campaign about the importance of increased levels of language, literacy and numeracy skills be implemented and in consultation with industry, include a targeted workforce strategy.

TRAINING PROGRAMS

- 3 The Australian Government, in consultation with industry, significantly expand funding available for the implementation of the WELL program as the key means of increasing workforce levels of language, literacy and numeracy for the duration of the National Foundation Skills Strategy.
- 4 The Australian Government, consistent with the findings of the WELL program evaluation,
 - a) introduce more program flexibility to cater for more intensive training,
 - b) review the competitive grants allocation process,
 - c) review the current co-contribution funding model,
 - d) include reporting on outcomes for employers, and
 - e) develop and implement measures designed to make the program more visible and accessible to employers.

WORKPLACE ADVOCACY

- 5 The Australian Government establish a support network of workplace champions to act as ambassadors of foundation skills learning within workplaces.

LLN WORKFORCE

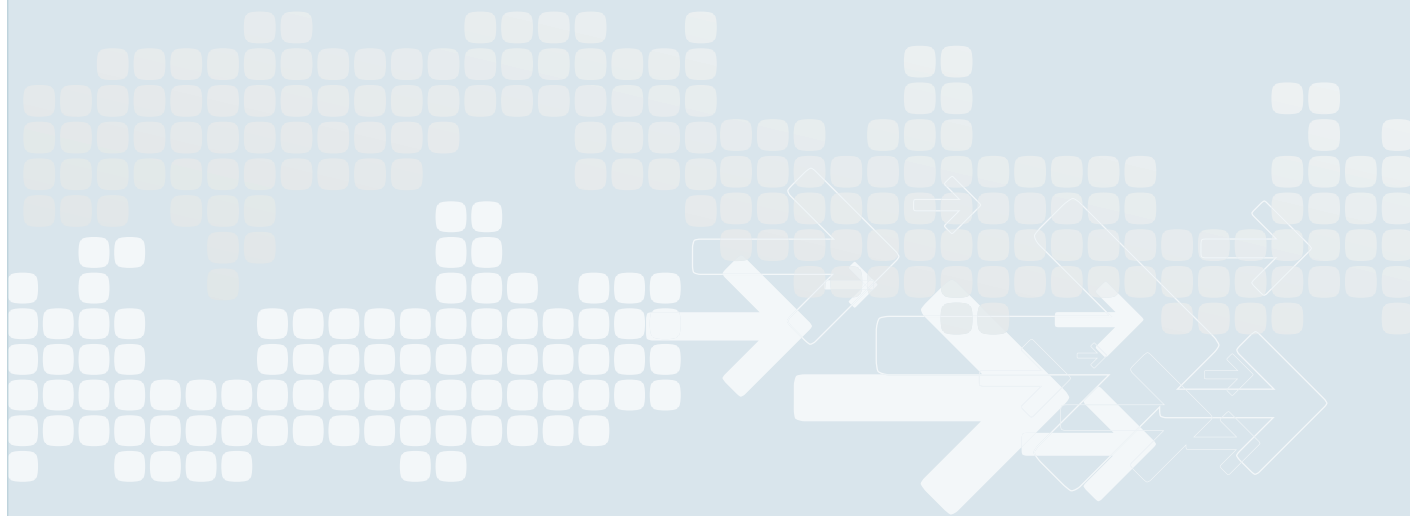
- 6 Given the increasing skill shortages of the LLN practitioners and the anticipated increase in demand for their services, the Australian Government maintain and expand the LLN Practitioner Scholarships Program to build their capacity and support other initiatives designed to strengthen the capacity and capability of the LLN workforce.

WELL BROKERS

- 7 The Australian Government review the implementation of the WELL Broker service with the aim of strengthening the outcomes of this initiative to meet employer needs to address workforce LLN issues.

LLN ONLINE DIAGNOSTIC TOOL

- 8 The Australian Government fund the development of a national online LLN diagnostic tool, referenced to the Australian Core Skills Framework and suitable for use in the delivery of WELL programs.



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