



Scenario planning for workforce development in Australia

International Association of
Research Universities

24 October 2011

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What I will cover today:

- What is Skills Australia?
- What is workforce development?
- Australia compared to other countries
- A national approach to workforce development
- New scenarios for Australia to 2025

What is Skills Australia?

“Skills Australia will provide the Government with recommendations on current and future skills needs (and inform Australia’s workforce development needs¹ ...”

- Expert independent Board with expertise in industry, economics, education and academia
- Provides independent advice to the government on current, emerging and future skills needs and workforce development needs
- Remit expanded in March 2009 to look at full scope of labour market and give advice on HE & VET
- 2011 Budget announcements extended role as National Workforce and Productivity Agency. Responsible for National Workforce Development Fund - started early - 1 October 2011



Back row (L to R):
Keith Spence, Ged Kearney,
Dr Michael Keating AC,
Prof Gerald Burke.

Front row: Heather Ridout,
Philip Bullock (Chair),
Marie Persson.

New Interim agency members

Peter Anderson
Paul Howes
John Edwards.



Source:

1. Julia Gillard, *Second Reading Speech – Skills Australia Bill 2008* (14 Feb 2008)

What advice has Skills Australia provided?

Amongst others:

- *Australian Workforce Futures*: a national workforce development strategy – March 2010
- Advice to Dept. of Immigration on Skilled Occupation List for General Skilled Migration program – February 2011
- *2011 interim report on resources sector skill needs* – July 2011
- *Skills for Prosperity – a road map for vocational education and training* – May 2011



What is workforce development?

Skills Australia defines workforce development as:

- *Those policies and practices which support people to participate effectively in the workforce and to develop and apply skills in a workplace context, where learning translates into positive outcomes for enterprises, the wider community and for individuals throughout their working lives.*

Buchanan and Evesson (2008) defined planning for workforce development in this way:

- *it incorporates a focus beyond data collection around standard labour and skill categories (eg occupation) and seeks to understand the forces driving change and how policy might directly engage with these forces to develop the workforce in a sustainable way.*

Australia compared to other countries

	Australia	Norway	Singapore	UK	USA
Strategic goals & workforce development emphasis	Strong focus on cultivation of knowledge economy	Goals vary at different levels and for different agencies	Both high and low end skill development emphasis	Moving from emphasis on 'high skill' workforce to 'skill utilisation' considerations	Patchy but excellent regionally based examples of high and low skill ecosystems
Overarching coordinating agency	Skills Australia	Historically major divide between apprenticeships + VET and professional education + HE	State led – 3 key agencies	UKCES	Fragmented – multiple agencies
Role of VET	Responsive to policy shifts in both welfare and industry	Strong emphasis given to VET as part of integrated education system	High level government support for VET	Run and regulated by variety of government agencies	Considerable state variation. Majority of post-secondary VET is provided by private providers
Core statistical base	Central agency	Central agency	Range of agencies collect data	Central agency	Central agency
Supplementation of statistical base	Multiple agencies	Multiple agencies	Growing presence but not yet sustained	Current national government has abolished regional agencies	Multiple state-based agencies
Exploratory research encouraged	Strong research community and wider debate encouraged	Strong tradition of evaluative research supported by large scale applied research centres	Workforce Development Board have a growing role in developing employer surveys	UKCES commission labour market analysis and think pieces on how labour market information can be improved	Developing a specific blue sky research program on the future of the workforce

Adapted from:

Scott, L. Buchanan, J. and Bretheron T. (2011), Better Workforce Planning – Reflections on recent experiences in Norway, Singapore, the UK and the USA, Workplace Research Centre

What did *Australian Workforce Futures* aim to do?

To best ensure Australia has the workforce capability required for a productive, sustainable and inclusive future by investigating the following two questions:

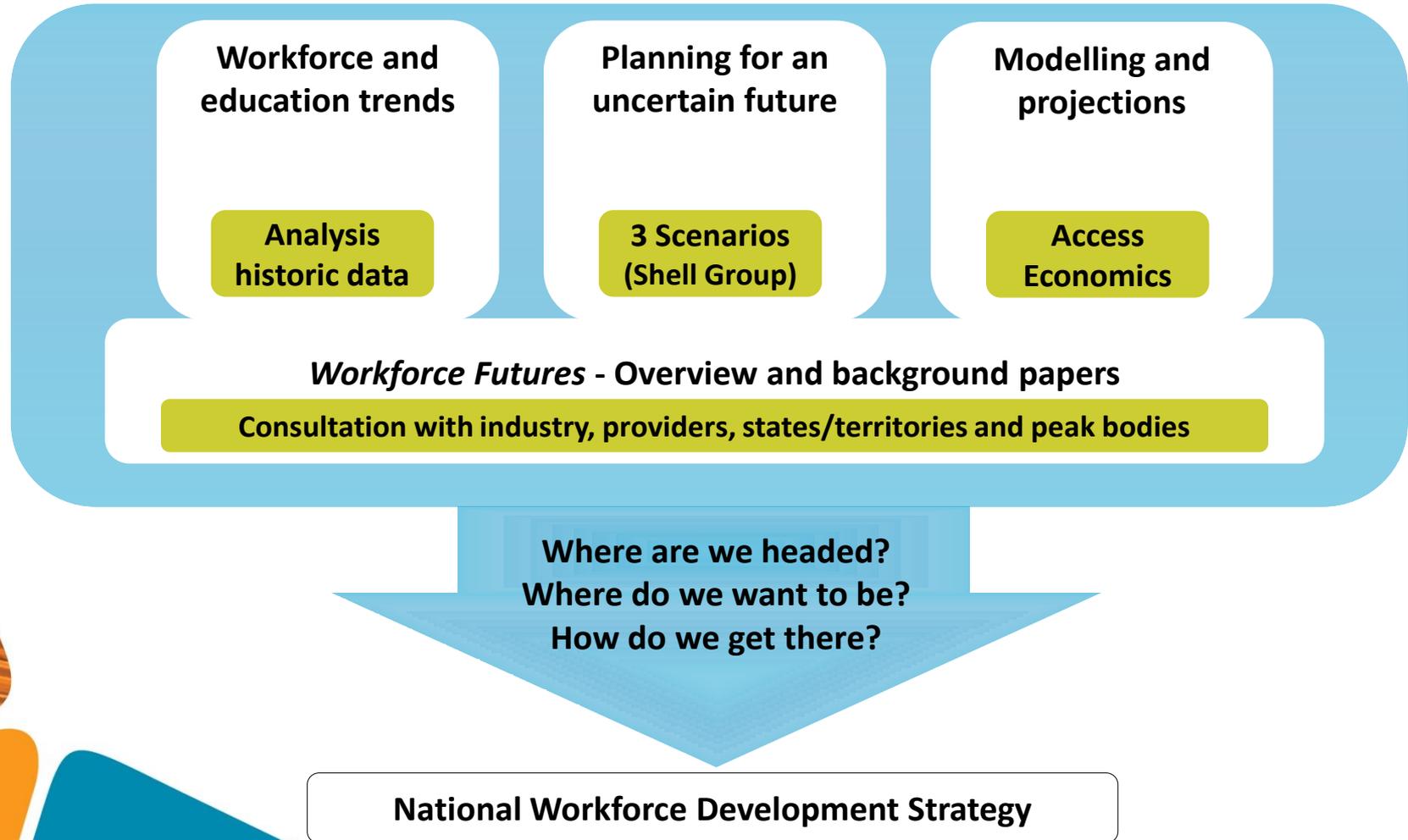
- *What does the future hold?*

What futures can be envisaged, what could be the demand for future skills in these futures and what exactly should we plan for?

- *How can we best realise Australia's skill potential?*

How can we maximise the value from our skills investment, could the relationship between productivity and skills be improved and, how can we promote more participation in the workforce to meet our future economic and social needs?

Our approach to workforce development



Why did we use scenarios?

Scenarios versus Forecasts

- Many plans are based on forecasts that typically start with an analysis of the present or the past and then make assumptions about the path that will be followed to the future.
- Single forecasts are relatively unreliable beyond short – medium term. Scenarios help manage uncertainty.
- Scenarios also acknowledge that different stakeholders and institutions may hold different views of the present and can envisage very different pathways to very different (desirable and undesirable) future states.
- Planning that embraces this diversity of views and aspirations for the future has been shown to be more sensitive to unfolding threats and opportunities and improve longer term decision making.

What are the three Shell scenarios?

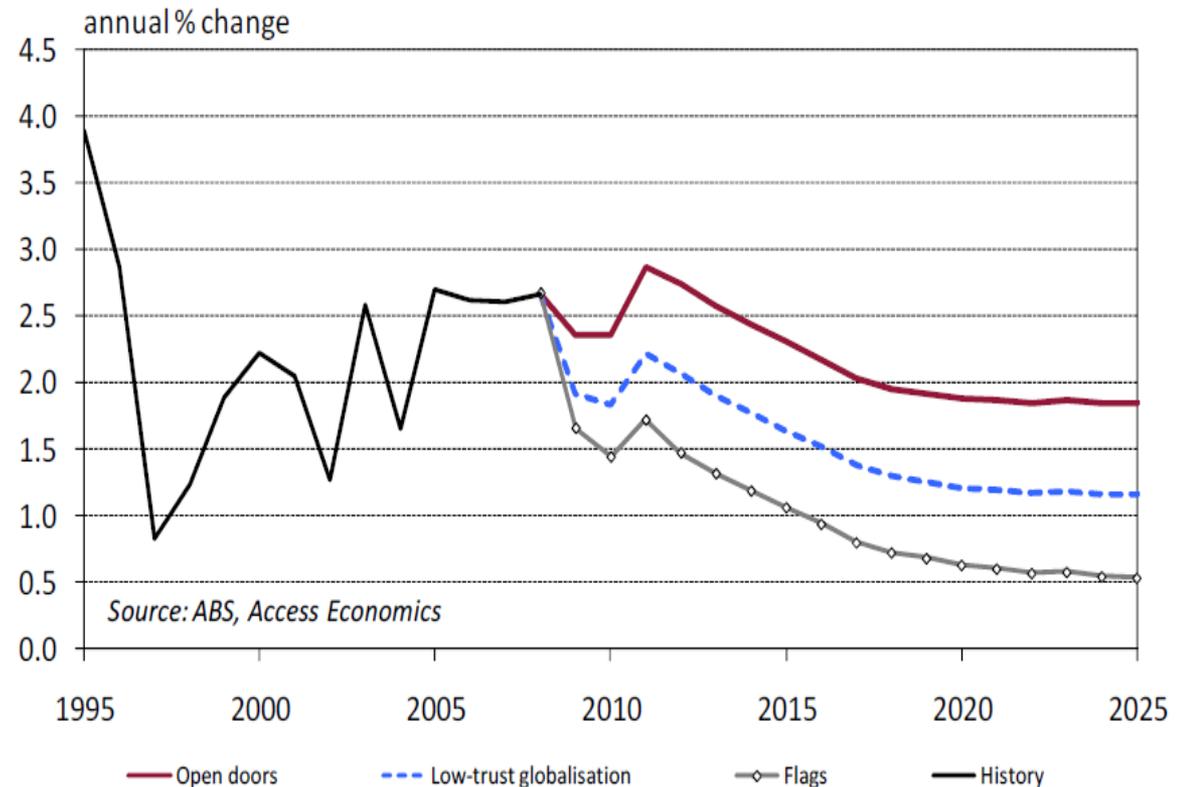
Key features of the three Shell scenarios used in AWF:

Feature	Open Doors	Low Trust	Flags
The economy	Higher productivity and GDP growth	Intermediate GDP growth, higher inflation and real interest rates.	Curtailed trade and lower GDP growth, higher inflation, interest rates, govt. debt.
Migration	Open borders	Some restrictions	Serious restrictions
Education	Innovations quickly disseminated. Skill development well funded by all stakeholders.	Supply of education is increasingly left to private sector with labour markets determining curriculum.	Government regulation and funding biased towards loyal, local employers, providers and electorates.

How many people do we need?

Number of people in Australian workforce in 2025 (based on three scenarios)	
Open Doors:	15.3 mill
Low Trust:	13.7 mill
Flags:	12.5 mill
Current:	11.3 mill

Projected total employment growth rates ¹



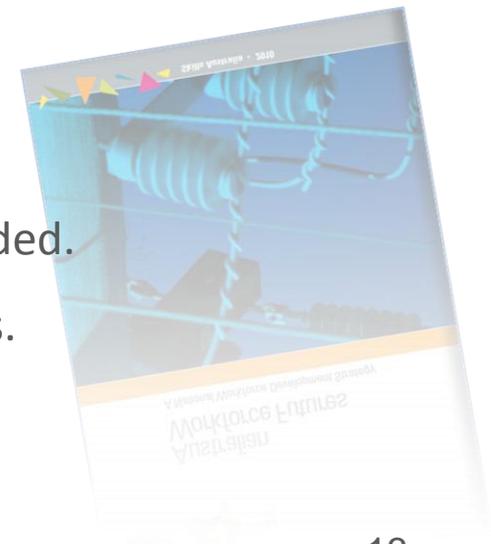
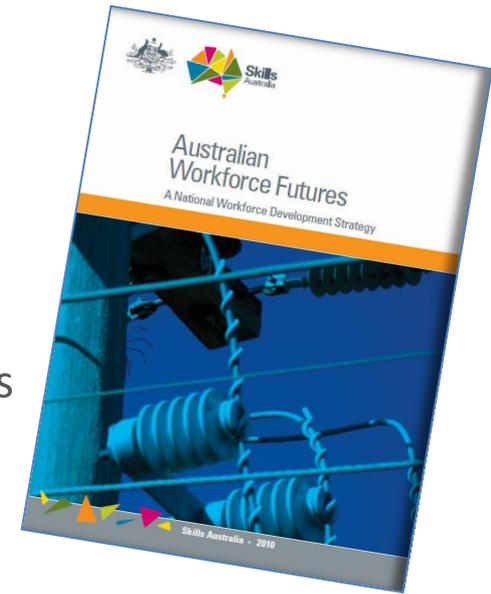
How many qualifications do we need?

However, skilled migration plays a significant role in supplementing the supply of qualifications, and if it remains at current levels, these deficits may be made up through Australia's skilled migrant intake.

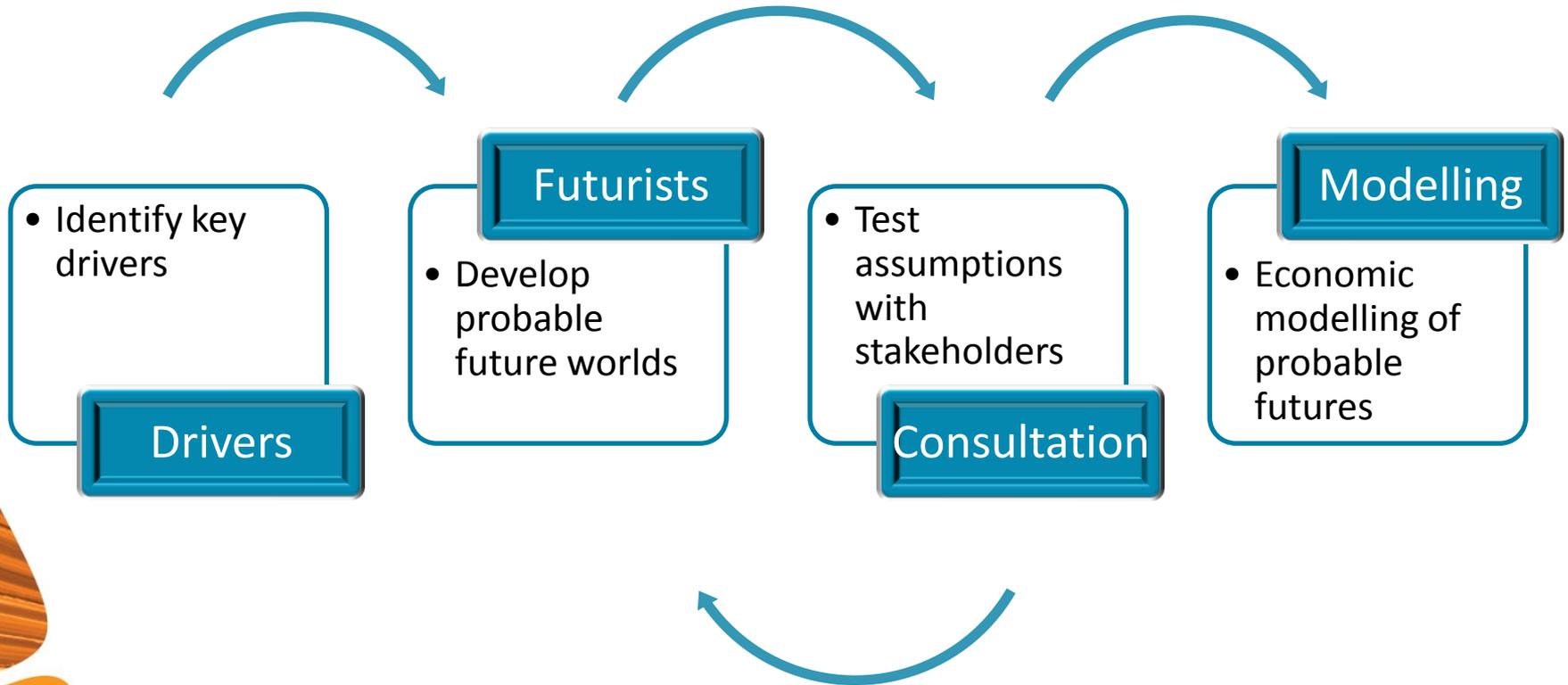
THE THREE SCENARIOS						
	OPEN DOORS		LOW-TRUST		FLAGS	
By 2015	Demand	770,000	Demand	646,000	Demand	540,000
	Supply	533,000	Supply	524,000	Supply	506,000
	BALANCE	-237,000	BALANCE	-122,000	BALANCE	-34,000
By 2025	Demand	828,000	Demand	645,000	Demand	500,000
	Supply	659,000	Supply	620,000	Supply	556,000
	BALANCE	-169,000	BALANCE	-25,000	BALANCE	+56,000

Australian Workforce Futures – key findings

- Forecasting for all occupations is both impossible and impractical. Our focus should be on ‘specialised occupations’ which we can and should plan for. The 80/20 rule applies.
- The current tertiary education system capacity will need to increase by 3% p.a, to meet Australia’s qualifications and skills needs.
- Workforce participation needs to rise from 65% to 69% to provide the workers and skills we need and improve social inclusion.
- Numeracy and literacy are barriers to increased participation. A national plan with targets and funding is needed.
- Enterprises need to better utilise the skills of their employees.



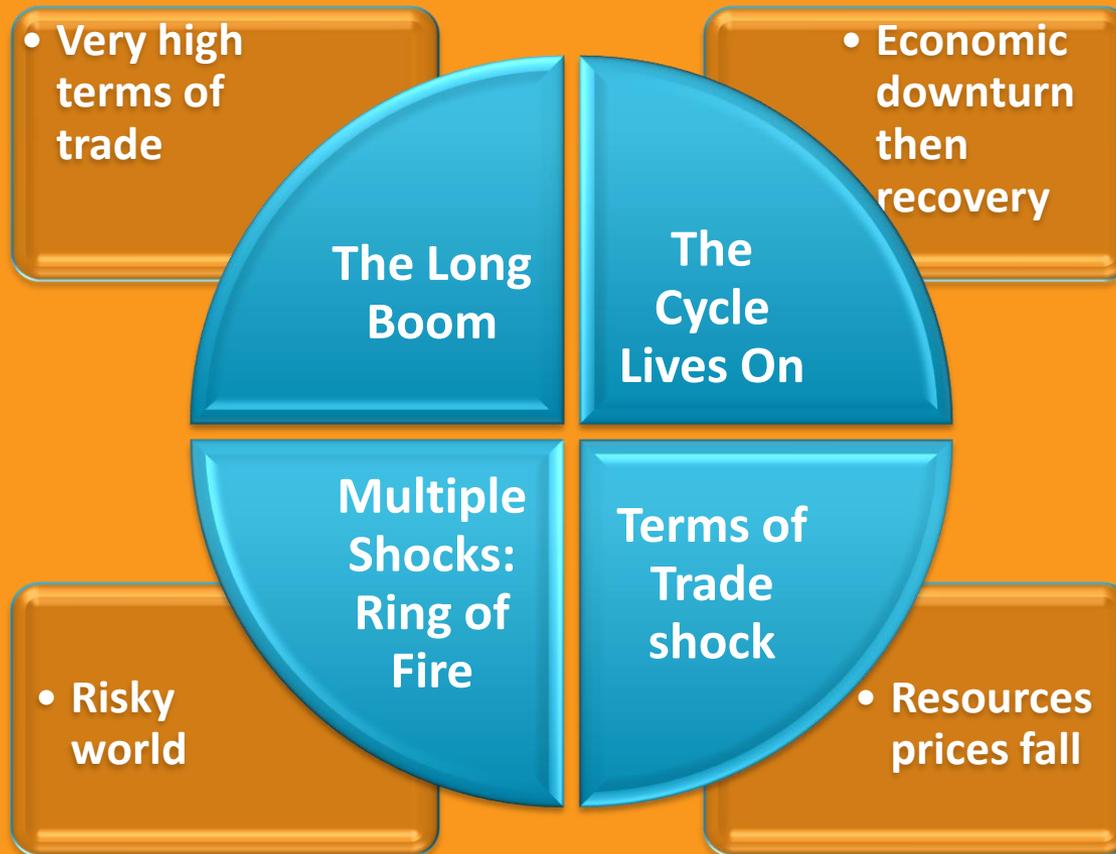
New workforce development strategy



Building the next model: drivers influencing supply & demand of skills in Australia to 2025



What are the scenarios Skills Australia is developing?



1. The long boom – what is happening?

- China and India prosper and maintain growth path
- Large accumulation of private and public sector wealth in Asia
- Strong demand for Australian resources – terms of trade are high
- Australian agricultural sector is competitive and adaptable
- Structural adjustment in trade exposed sectors (manufacturing, education, tourism impacted)
- Australian services companies take advantage of opportunities in growing and maturing economies in the short term
- There are labour and skills shortages and wages grow
- New and or increased taxes are able to be introduced – healthy budget
- Permanent and temporary migration are maintained at high levels
- Energy price rises encourage investment in alternative energy sources
- Adverse environmental events largely localised

2. The cycle lives on – what is happening?

- Cyclical Asian economies drive expansion of Australian economy in good years with static or declining growth in between
- Restructuring in downturn – jobs return in different places
- High terms of trade on average in boom times
- Australian agricultural sector is still competitive
- Australian resources are cyclical
- Decreased workforce participation ahead
- Migration slows, short term skilled migration drops away
- Government fiscal capacity is tested but pressure to undertake industry and regional assistance grows
- Productivity and competition drive use of technologies in private sector
- Environmental events are largely localised, but are expensive and disruptive to the economy

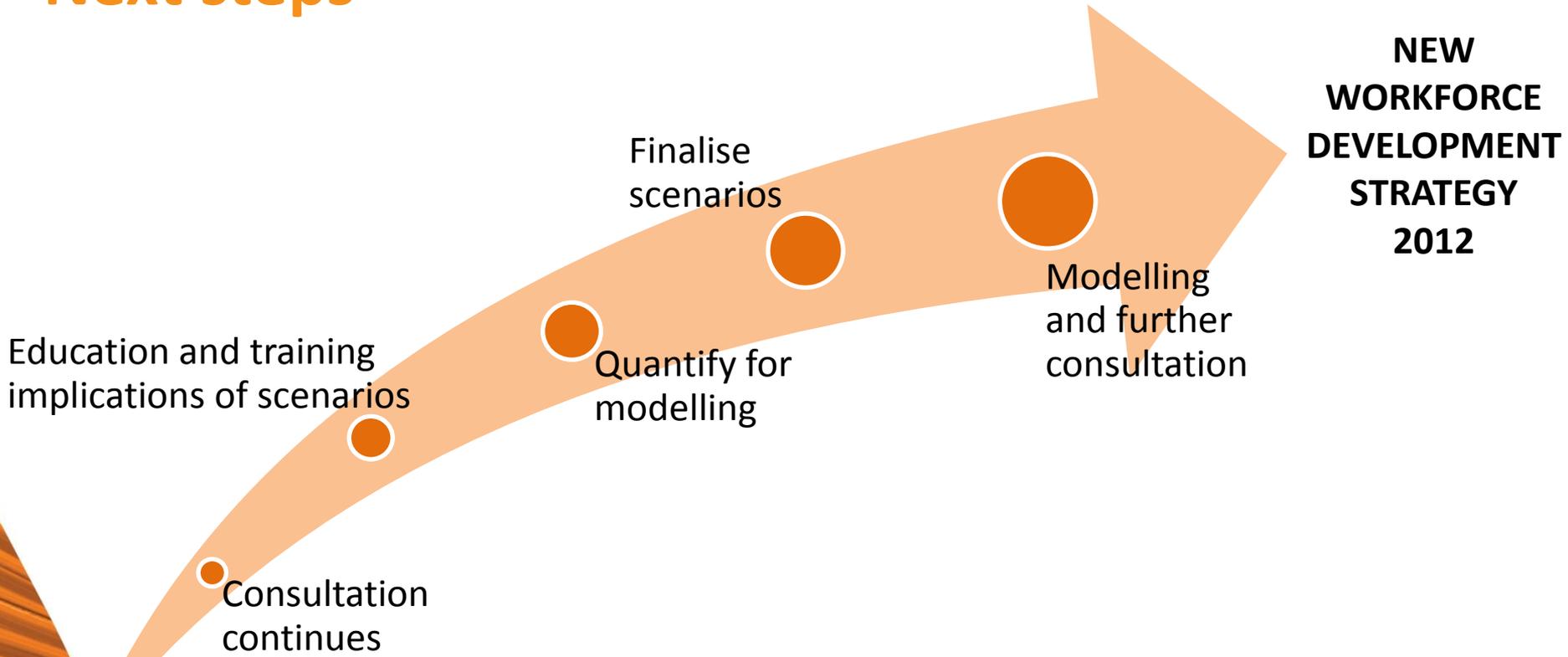
3. Terms of trade shock – what is happening?

- New resources supply challenges demand for Australian resources
- Manufacturing and high technology countries – Germany, Japan, China have strong economies
- Structural adjustment and increasing diversification of the economy – stronger tourism, education and manufacturing
- Increase in demand for protein and high quality products, Australia's agriculture and food processing activities flourish
- Low tax base, small labour supply, very high demands on health and care systems
- Permanent migration is steady, emigration is high
- Government budgets stretched and limited
- Productivity and competition drive use of technologies in private sector
- Adverse environmental effects in Australia and overseas largely localised

4. Ring of fire – what is happening?

- Bankrupt governments, corporate failures, poor growth
- Stamp duties and consumption taxes reduce
- Uncertainty, caution, saving, reduced risk taking
- Terrorism and violence cause religious antagonisms
- Delay child birth, smaller families
- Environmental disasters and peak oil is on the horizon
- Hang onto jobs
- Cheaper to import skilled people than educate our own
- Reduced migration
- No long-term strategic agendas for government – no mandate to lead
- Australian technology suffers from loss of venture capital sector

Next steps



Comments/Questions/Feedback

Discussion questions:

- What approaches to workforce development have you encountered?
- Are you aware of similar methods in your country?
- Feedback on scenarios?



Thank you