Mrs Jan Kronberg MLC  
Chair  
Outer Suburban Interface Services & Development Committee  
Parliament of Victoria  
Parliament House, Spring Street  
East Melbourne VIC 3002

Dear Mrs Kronberg,

Skills Australia is pleased to respond to your invitation to make a submission to the Parliament of Victoria’s Inquiry into Growing the Suburbs: Infrastructure and Business Development in Outer Suburban Melbourne (the Inquiry).

Skills Australia provides advice to the Minister for Tertiary Education, Skills, Jobs and Workplace Relations on Australia’s current, emerging and future workforce skills needs and workforce development needs.

In addressing the terms of reference provided by the Parliament, Skills Australia has primarily focused on item (d) ‘Catalogue the skills mix of outer suburban residents to identify those areas with a skills shortage and provide options for skills training and retention, especially as it relates to both younger and semi retired people’. This item corresponds most closely with Skills Australia’s role in advising on skills needs and workforce development needs.

The following sections look at the skills mix and skills shortages in Melbourne’s outer suburbs and options for skills training and retention.

**Skills mix and skills shortages in Melbourne’s outer suburbs**

A key issue for Melbourne’s outer suburbs is that educational attainment is not reflected in employment outcomes, and the skills mix of the population is not matched by job availability in those areas.

As the Parliament will be aware, the data reflects a highly varied picture of skills attainment and labour force participation across the Greater Melbourne area, with variation across the regions in key demographic indicators, such as age, proportion of migrants and the number of people reporting disabilities which restrict their employment or schooling. Each of these indicators has been shown to have a bearing on educational attainment, engagement with the workforce and employment outcomes.

**Matching skills with jobs**

An important issue for growing the suburbs is the industry and occupation mix available within these areas. Across Greater Melbourne, the Health Care and Social Assistance industry is the largest employing industry, followed by Retail and Manufacturing. In Western Melbourne, ‘employment in the advanced knowledge service sectors is lower; and employment in transport, production, clerical, sales and labouring is higher. The region has 12.3 per cent of the State’s manufacturing and transport jobs, but only 6.5 per cent of the...
knowledge-based services jobs’ (LeadWest). This creates a further challenge for matching the skills of prospective workers with available jobs and industry sectors.

The sheer number of jobs in relation to the number of working age people is another concern. Job growth lags well below population growth in Western Melbourne, as ‘despite having 12.5 per cent of Victoria’s population, the region has barely 8 per cent of the State’s jobs’ (LeadWest). This indicates that commuting to other areas with large numbers of jobs, such as Inner Melbourne, will be a reality for many of the region’s workers.

Based on the results of a Survey of Recruitment Conditions in Capital Cities, workers in hospitality and retail, in health services (e.g. registered nurses), and in trades such as automotive, food trades, building and welding were identified by employers as occupations with vacancies and recruitment difficulties. However, some employers in Greater Melbourne also indicated they had difficulty recruiting suitable staff in accountancy, IT and other areas where there is a high migrant intake (DEEWR, March/April 2011). This indicates that there is a continuing need to work with employers, skilled migrants and other qualified persons to create better networks and solutions for addressing skills shortages.

**Youth unemployment**

Beyond the issue of matching skills with jobs, youth unemployment remains a primary concern for the outer suburbs.

On the whole, Melbourne has a lower unemployment rate than Australia (at 4.8 per cent compared with 5.1 per cent as of June 2011), but unemployment levels vary across Statistical Local Areas (SLAs), with pockets of high unemployment in outer areas, such as 13.7 per cent in Hume-Broadmeadows and 11.4 per cent in the Greater Dandenong region. In comparison, the Southbank and Docklands areas of Melbourne report only 1.2 per cent unemployment (DEEWR Small Area Labour Markets, June 2011).

When looking at youth unemployment, the differences between regions are even more pronounced, with a teenage full-time unemployment rate (for ages 15-19) of 9 per cent in Outer Eastern Melbourne compared to 52.4 per cent in Northwestern Melbourne. In addition to its youth unemployment rate being some 20 percentage points higher than any other area, Northwestern Melbourne also reports a much higher ratio of teenagers overall, accounting for 5.4 per cent of the total population (DEEWR Labour Force Regions 2011; ABS Labour Force Survey, Oct 2011).

Lack of secondary school completion, poor access to education in some regions, and lack of provider choice have been cited as impediments to addressing youth unemployment and low participation in the outer suburbs. As Lamb et al (2004) note:

> A region like North-West Melbourne, which has high levels of early leaving, would be considered notable for its high levels of scholastic failure and the consequent need to address this issue... A region such as Mornington Peninsula, also noted for its high rate of early leaving, displays other features specific to its context — low tertiary transition rates, relatively limited apprenticeship and traineeship opportunities and more limited
access to university and TAFE. Regional differences in the labour market, and local economic and social conditions are thus important considerations for policy in regard to school retention (Lamb et al. 2004) ‘Staying on at school: Improving student retention in Australia’).

Improved infrastructure, increased choice and access to education services are just some of the ways in which these issues might be addressed (LeadWest; Teese (2002) ‘School Leavers: Attain, Retention and Transition Issues’; Teese and Polesel (2003) Undemocratic schooling).

Migration impacts

One of the key challenges for growing the suburbs is harnessing the skills and qualifications of migrants.

A large proportion of the Victorian population is from ‘Other Than Main English Speaking Countries’ (OTMSEC), at 25.9 per cent compared to 16.9 per cent for Australia as a whole. Western Melbourne accounts for over 16 per cent of Melbourne’s overall population and is culturally the most diverse Metropolitan region, with more than a third (33.8 per cent) of its inhabitants from non-English speaking countries, followed by Northern Melbourne at 26.3 per cent (2006 Census; LeadWest).

In the past five years, there have been a total of 172,907 migrants settle in Melbourne, of which 59 per cent were from the skilled stream while 9 per cent were humanitarian arrivals (DIAC Settlement Reporting 2011).

Australia’s emphasis on skilled migration is reflected in qualification levels, with more than a quarter (26 per cent) of the working age OTMSEC population in Melbourne holding a Bachelor degree or higher, compared with 22 per cent of the working age population from English speaking backgrounds in Melbourne, and 17 per cent across Australia.

However, despite this higher level of educational attainment, more than one in ten (11 per cent) of working age people born in non-English speaking countries who hold a Bachelor degree or higher are working in lower skilled jobs in Melbourne, with a further 7 per cent unemployed. This compares to only 5 per cent and 2 per cent, respectively, of Bachelor degree holders from English speaking backgrounds (2006 Census).

Poor English language proficiency and qualification recognition are contributing factors to these outcomes. In Melbourne, 13 per cent of the working age OTMSEC population either do not speak English well or do not speak English at all. This is reflected in poor employment prospects, with an unemployment rate of 25.1 per cent and a participation rate of just 21 per cent among this group (2006 Census; DEEWR Australian Labour Market Update, Oct 2010).

In June 2011, the Department of Immigration and Citizenship (DIAC) announced a review of arrangements for overseas skills recognition, upgrading and licensing. However, while official recognition is one hurdle, Australian employers are also having to make judgements about which people to hire on the basis of overseas credentials and the perceived transferability of skills to Australian workplaces.
Matching skills with industry sector and job availability is another issue for the outer suburbs. DIAC’s Continuous Survey of Australian Migrants shows that while the majority of workers in health, education and some trades report positive employment outcomes, workers in knowledge services such as accountants, IT professionals and engineers, among other occupations, can struggle to find work in their chosen fields and often work in lower skilled occupations, or not at all.

In the wake of revisions to the Skilled Occupations List for General Skilled Migration purposes in 2010 and 2011, Skills Australia will be working with professional associations to try and bridge this gap and create better linkages between the skills of migrants and the needs of employers.

Skills supply and demand

In order to gain a better appreciation of changes in employment patterns, and what skills will be required, Skills Australia has developed new scenarios to create potential ‘future worlds’ to 2025. These scenarios will in turn inform economic modelling of the supply and demand of skills to 2025. This forms a key part of a national workforce development strategy, which is published every three years. The first strategy, Australian Workforce Futures, was released in March 2010 and the new strategy will be published in 2012. The new strategy is expected to include a greater focus on the supply and demand for skills within Australia’s regions.

The strategy also includes the development of a Specialised Occupations List (SpOL) of occupations for which the risk of shortages or over-supply of skills needs to be better identified and addressed. This is intended to inform policymakers and other stakeholders on how to avoid recurring skill shortages and resource wastage as a result of mismatches between educational supply and workforce demands.

The SpOL is updated annually and published on the Skills Australia website. Skills Australia is also currently developing studies of all occupations on the SpOL in relation to employment, training and migration. These will be published by Skills Australia in 2012 and should prove useful to those developing policy in the area of skills demand and workforce development.

Finally, Skills Australia has recently commenced a project to identify and report on critical skills and labour market priorities through the assessment of skill demand and supply (im)balance indicators and information. It is anticipated that these indicators will have a regional dimension to them which should help inform on skill needs in regional, including outer urban, areas.

Options for skills training and retention

Skills Australia’s research (in particular Australian Workforce Futures and Skills for Prosperity) has highlighted the importance of lifting workforce participation rates, improving language, literacy and numeracy skills and ensuring the tertiary education sector has the capability to provide the levels of education and training required to develop a skilled and capable workforce and to promote social inclusion. The strategies outlined in these publications are relevant to the concerns of this inquiry.
Workforce development

It is the view of Skills Australia that Australia’s workforce needs can be more effectively addressed by a broader focus on workforce development planning, which includes, but is not limited to, an analysis of skills training needs. *Australian Workforce Futures* 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 individuals throughout their working lives.

As this definition suggests, Skills Australia advocates a dual focus in workforce development on both the development of skills through training and better utilisation of existing skills within the workplace.

Similarly, Skills Australia published an extensive review of the Vocational Education and Training (VET) sector, *Skills for Prosperity*, in May 2011, which advocates ‘better integration of training with developments within firms as a necessary reform for the VET sector’ to achieve ‘a deeper focus on workforce development and skills use, rather than the continuing extension of the more traditional focus on training and skills formation’.

*Skills for Prosperity* recommends supporting funding to enterprises, suggesting that an enterprise fund should ensure robust workforce development planning, co-contribution by enterprises based on capacity to pay, and the provision of accredited training and partnerships with enterprises, industry and providers.

The responsibilities of Skills Australia have been expanded with the 2011-12 Budget announcement of the establishment of the National Workforce and Productivity Agency to commence from 1 July 2012 and to administer a National Workforce Development Fund. This will provide significant options for skills training within organisations in a workforce development context.

Agency responsibilities that are relevant to the Terms of Reference for the Inquiry will include:

- Providing independent advice on sectoral and regional skills needs to support workforce planning and productivity including in small business
- Driving engagement between industry, training providers and government on workforce development, apprenticeships and VET reform. The fund will be used to ensure a better match between the supply of skills and enterprise needs.

Through the Fund, the Australian Government will provide $558 million over four years to industry to support training and workforce development in areas of current and future skills need. Under the Fund, enterprises can identify their current and future business and workforce development needs and apply for funding to support the training of existing workers and new workers in the area of need. New guidelines detailing the arrangements for accessing the Fund will be available in 2012.
Retention in education and training

Skills for Prosperity voices significant concerns about completion rates across the VET sector. Work by Mark and Karmel estimates that the average national completion rate of VET courses at Certificate I level and above commencing in 2005 was approximately 27 per cent. Whilst completions are higher for full-time students (approximately 35 per cent), and highest for course enrolments at Certificate III level, such low qualification completion rates represent wastage for individuals, employers and government (Mark and Karmel (2010) The likelihood of completing a VET qualification).

Skills for Prosperity also highlights the need to increase investment in education and training and to ensure additional funding is provided to address the complex skill needs of vulnerable learners and the disadvantaged, especially in the VET sector. In section 4 of Skills for Prosperity (entitled ‘Communities and connections’) we outlined specific recommendations to improve skill development, employment and workforce development at the regional and community levels.

Skills Australia believes that moving to a funding model which rewards module and qualification completions will drive significant improvement in the system. In Skills for Prosperity, we recommend that public funding of Registered Training Organisations (RTOs) should progressively move to a system of staged payments at enrolment, at mid point and a final payment on module completion, with 100 per cent of funding being allocated for 80 per cent module completion. However, outcomes-based funding should only be implemented after the national VET regulator has been established for two years and rigorous processes are in place to ensure quality is not compromised.

Skills Australia also views VET in Schools programs as an important initiative to provide broader opportunities for young people in education and training. In Skills for Prosperity we highlighted the multiple purposes of VET in Schools programmes and significant role they have played in engaging an increasingly diverse cohort. However, of concern are reports of highly variable quality and inconsistencies between programmes. Skills Australia therefore recommended a national review of VET in Schools be undertaken to pursue in more depth the issues raised in our consultations regarding quality, effectiveness and industry acceptance.

Retention in the workplace

In addition to maximising retention and completion rates in school, training and higher education, retention in the workplace is also identified as a key issue in improving jobs and individual outcomes. This is true more broadly, but also in relation to two groups on which the Inquiry has a particular focus: younger people and those who are semi-retired.

In relation to the retention of semi-retired workers, Skills Australia notes the shift of emphasis in the development of policy for the ageing workforce away from early retirement towards ‘active ageing’ particularly by the World Health Organisation and the European Commission. The notion of ‘active ageing’ has been applied to identifying and addressing issues which act against the continuing participation of older workers in the labour force including age discrimination and the development of learning approaches suited to the needs of older learners (Taylor (2008), Ageing Labour Force: Promises and Prospects).
Furthering its focus on skills use, Skills Australia has carried out case study research on skills utilisation strategies within 11 Australian organisations. Retention issues were nominated as one of the most common triggers for improved skills utilisation practices among the organisations interviewed by Skills Australia. Attracting and retaining employees were seen as two sides of the same coin by employers, and was cited by almost two-thirds of organisations as a reason to adopt skills utilisation policies within the workplace. The research shows that in areas where suitable skills are at a premium (and where training and recruitment costs are also high) organisations will generally go the extra mile to try and reduce staff turnover. In such instances, organisations are also likely to be motivated to optimise the skills of their employees.

Skills Australia’s case study research on skills utilisation will be published early in 2012 and is intended to inform organisations about better utilisation of skills. An analytical report on the findings of the research will also be released, and aims to be of use for policy makers seeking to foster workforce development.

We look forward to hearing the outcome of the Inquiry in due course.

Yours sincerely

Robin Shreeve  
CEO  
Skills Australia  
9 December 2011