

Paul Duckett

6th May 2008

safety • knowledge • integrity • leadership • production
people • risk management • specialist skills • safety
productivity • innovation • delivery • people • risk
leadership • productivity • innovation • delivery
specialist skills • safety • knowledge • integrity •
delivery • people • risk management • specialist

Skills Shortages & Labour Strategies

SKILLED Group

The Workforce Dilemma

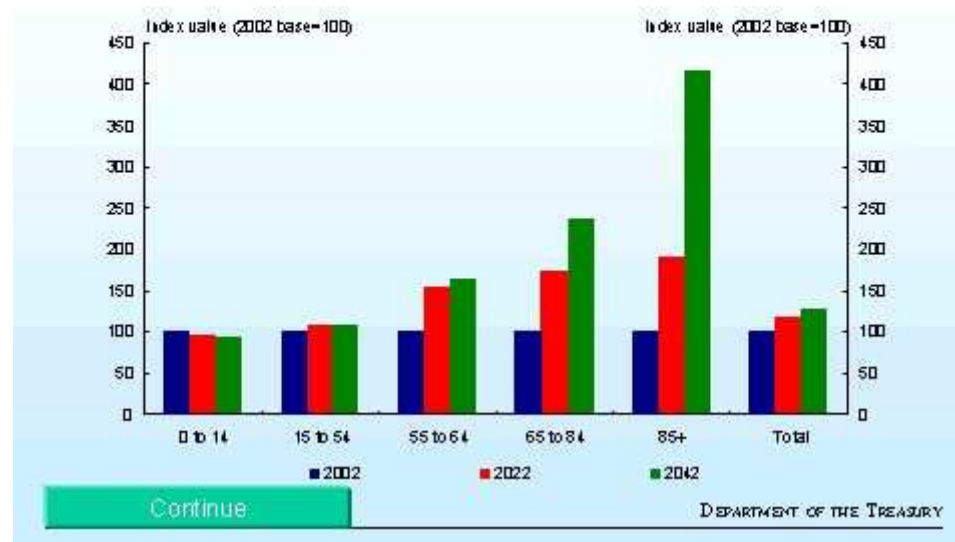
safety • integr
• knowledge
people • inno
specialist skills •

- 170,000 is the current number of new entrants to the Australian workforce every year
- 125,000 is the projected number of new entrants to the Australian workforce for the entire decade between 2020 and 2029

Population Ageing

safety • integr
• knowledge
people • inno
specialist skills •

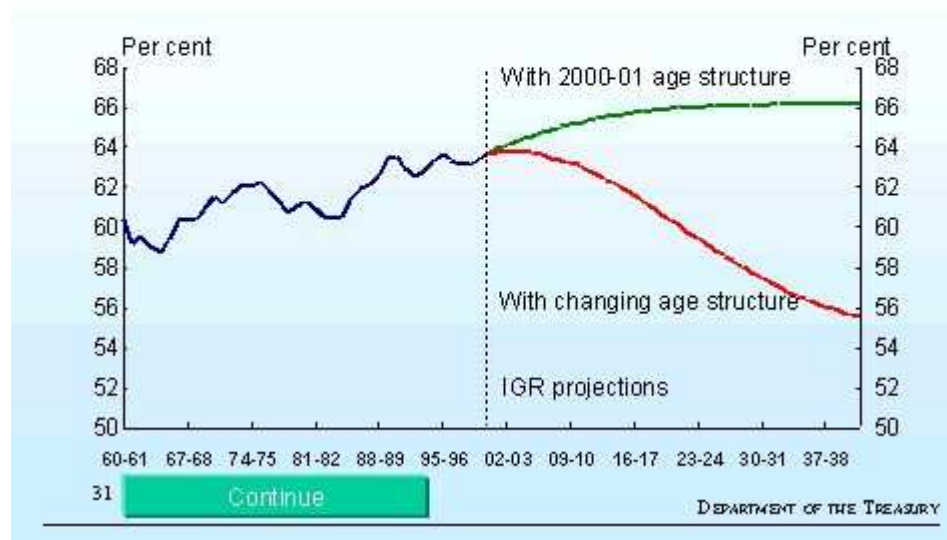
Population ageing



Participation rate projections

safety • integr
• knowledge
people • inno
cialist skills •

Participation rate projections



Not an “Australian Issue”

safety • integr
• knowledge
people • inn
ecialist skills •

- Both of the Asian “super tigers”, China and India are projecting skills shortages. As an example, Shanghai is projecting a shortage of 500,000 skilled technicians over the next 5 years. (Schu.com 8 March 2006)
- Europe and North America are “draining” the 3rd World skill base.
- The Asia Pacific basin is providing much of this resource.

China has recognised the problem

safety • integr
• knowledge
people • innc
ecialist skills •

China has significantly increased its number of graduates

Year	Total tertiary graduates
2002	1,450,000
2003	2,210,000
2004	2,800,000
2005	3,380,000
2006	4,130,000

*National figure inclusive of post-graduates, university graduates and TAFE graduates.

Source: Chinese Embassy - Australia

Skilled Migrants going missing

Non-English speaking migrants are missing out when it comes to Australian business recognising their abilities or rejecting them on language grounds

Birthplace	Managers	Professional	Admin/sales	Jobless	Other
English speaking background	9%	48%	21%	4%	18%
Europe	5%	32%	23%	7%	33%
SE Asia	3%	22%	23%	8%	44%
China	2%	14%	22%	13%	49%
India	3%	19%	28%	9%	41%
Aust-born	8%	56%	21%	2%	13%

Figures include 20-29 year-old migrants with degrees who arrived between 2001 and 2006 and local-born degree holders (Source ABS Census & Herald Sun)

The Challenge

safety • integr
• knowledge
people • inn
specialist skills •

- We are part of a global market place – That's a fact!
- We are going to face a declining population base to meet our economy's workforce needs – That's a fact!
- We do not have enough skilled people to meet even our current needs – That's a fact!
- We are going to need to be **innovative**, more **technically savvy** and more **productive** if we are going to have any hope of maintaining our current way of life, let alone improve it further!

Traditional causes of Labour and Skill shortages

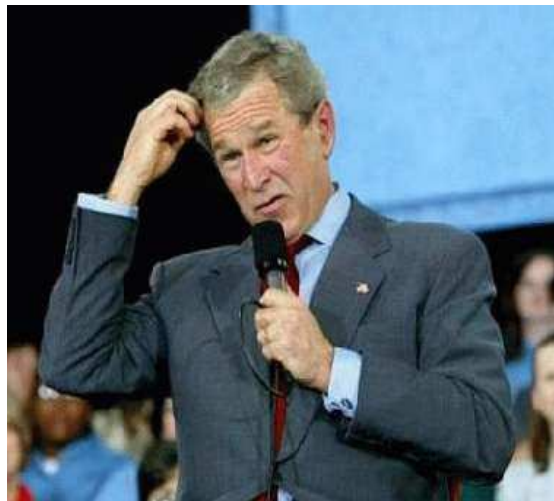
safety • integr
• knowledge
people • inn
specialist skills •

- A general under investment in skill development
- Rapid structural change combined with low levels of overall unemployment
- Cyclical surge in employment in a sector of an economy

What's going on?

safety • integr
• knowledge
people • inn
ecialist skills •

- We exist in a set of global circumstances like at no other time in history.
- Never before in the history of industrialisation has business been faced with the complexity of circumstances the world faces today.
- No wonder we all a bit dazed, confused, angry and perhaps, a little bewildered.
- Solution mode is starting to emerge?



The Complexity!

safety • integr
• knowledge
people • inno
specialist skills •

- Labour shortages
- Skills shortages (???)
- Aging population
- Aging workforce
- “Generational diversity”
- Motivational differences
- Industrial changes

Addressing the issues

safety • integr
• knowledge
people • inno
ecialist skills •

All industries are actively 'shaking the candidate tree'

- Accounting firms are now targeting kids in middle school and sponsoring their education as accountants
- Mining companies are targeting engineering candidates in their first year to secure graduates

AiGroup Skills Report

safety • integr
• knowledge
people • inno
ecialist skills •

500 CEO's from manufacturing, services and construction sectors point to a skills deficit damaging Australia's innovation performance:

- 250,000 full time jobs unfilled;
- Ability to develop new products is restricted as new processes can't come on stream fast enough.
- Gap between experience and in-experience is widening
- Increased regulation hampering recruitment
- Not enough technicians, trades people or engineers

Yet

Companies only spent 3.6% of turnover on innovation, and the level declined as the size of company increased

Can we rely on business/the market etc

safety • integr
• knowledge
people • inno
ecialist skills •

- Training costs money! – how do you get a “market analyst” to factor in training as an investment attribute of a company when the return is not quantifiable in the following period’s profit and loss statement!
- Executives are generally rewarded on yearly profits and share price increase, not on 5 year strategies that sustain the business!
- Training investments such as the old “training guarantee” delivered questionable solutions to the skills shortage in this country!
- Australia has previously been a world leader in innovation! Have we sold off too much to overseas corporations who don’t see our problem?

Can we rely on the unions?

safety • integr
• knowledge
people • innc
ecialist skills •

- They know there is a problem, but they blame business and government!

“We are calling on the Federal and State Governments to provide more training opportunities especially in trade skills. If employers will not invest enough in training of their own accord, then the AWU will seek to include obligations through updated Awards and new enterprise agreements”
(Former AWU National Secretary-Bill Shorten)

- Their constituents worry more about “protecting apprentice wages” and current classifications, than creating new opportunities!

The problem- It is not one dimensional

safety • integr
• knowledge
people • innc
ecialist skills •

- Skills shortages ?
 - Consider this – we have never had a more educated community. Access to education is widespread
 - And yet for example nationally, only 20% of people trained to Cert II level end up working in the industry for which they were trained
 - ‘Crowding out’ higher qualified people taking jobs at a lower level

The problem (cont')

safety • integr
• knowledge
people • innc
specialist skills •

People move from the occupation for which they are trained due to poor conditions or better conditions elsewhere

- Are we 'overtraining' then?
- What we have is skills wastage, skills mismatch and training for jobs for which there is no reported shortage (e.g. retail, clerical, transport)
- Quality of candidates!

Definition of a Skill Shortage

safety • integr
• knowledge
people • innc
ecialist skills •

- Level 1
 - Few people available with essential skill set
 - Long training time to develop skills
- Level 2
 - Few people available with essential skill set
 - Short training time to develop skills
- Skill Mismatch
 - Sufficient people with essential skill set
 - Not willing to apply given current conditions
- Quality Gap
 - Sufficient people with essential skill set
 - Willing to apply
 - Lacking qualities that employers consider important

So what can we do?

safety • integr
• knowledge
people • inn
ecialist skills •

We do have a skills shortage and it is going
to hurt us!

Even more if we do nothing!

The Productivity Agenda

safety • integr
• knowledge
people • inno
ecialist skills •

Australia 2020 set the following objectives:

- Equipping all Australians through an education and training system that leads the world in excellence and inclusion;
- Deploying Australia's human capital efficiently and fairly including by overcoming the barriers that lock individuals and communities out of real opportunities;
- Connecting through new collaborations across our education, business and innovations systems

2020 Solutions

safety • integr
• knowledge
people • inn
ecialist skills •

Equip

- Supporting kids
- Extending help
- 2020 scholarships
- Community Corps
- Science and math's connections
- Rewarding excellence in teaching
- Celebrating teaching
- Teaching first
- Innovation Australia

2020 Solutions (continued)

safety • integr
• knowledge
people • inno
specialist skills •

Deploy

- Windows on workplaces
- Skills development
- Work in the bush
- Mobile labour market
- Learning for life account

2020 Solutions (continued)

safety • integr
• knowledge
people • inn
ecialist skills •

Connect

- Parent and children centres
- Life learning centres
- One curriculum
- Business – school connections
- Golden gurus
- Science, business and arts into schools
- Australia unlimited
- Connecting Australia
- Business – research connect

Solution strategies

safety • integr
• knowledge
people • inno
ecialist skills •

Government initiatives

- Shorter duration apprenticeships
- Fast track qualifications in skills that are in high demand
- Targeting new entrants to the skilled workforce

Other

- Introduce a “hex fee” system for trade/technical skills
- Fast track recognition of core skills from overseas and regionalize the new immigrants
- Break down the academic/trade mentalities who seek to preserve the status quo

So?

safety • integr
• knowledge
people • inn
pecialist skills •

- No one solution is going to do it!
- No one sector is going to achieve it!
- No person or organization can afford to not challenge its own paradigms!