

Employer engagement with the vocational education and training system in Australia

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RESEARCH

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About the research



Employer engagement with the vocational education and training system in Australia

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This paper, commissioned by the United Kingdom's Commission for Employment and Skills, reviews the literature on how employers engage with the vocational education and training (VET) system in Australia.

The main conclusion that can be reached is that the major form of engagement is through using competencies as the building block of the training system. Competencies were introduced in the VET sector in the late 1980s and focus on the outcomes of training. Competencies are described through the skills and tasks specified by industry. This development of competencies is effected through training packages, which are developed by industry skills councils.

Engagement of employers has also been encouraged by promoting competition in the training market. The idea is that providers need to be more responsive to the needs of employers. The best example of this is the 'user choice' program, under which employers choose the training provider which delivers the off-the-job component of apprenticeships and traineeships.

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Introduction

This paper was originally written for the United Kingdom's Commission for Employment and Skills, as part of a larger project undertaken by the Institute for Employment Research at the University of Warwick. The aim was to review measures that may increase employer participation in skills training and outline how the vocational education and training (VET) system in Australia has engaged with employers and the issues associated with this. The paper addresses four specific issues:

- ✧ the main features of the VET system in Australia to encourage employer participation in training
- ✧ the main indicators used to measure employer training activity
- ✧ the main evidence relating to the returns employers obtain from training
- ✧ the main barriers to employers undertaking any/more training.

In addressing these issues it should be noted that the context of the vocational education and training system in Australia is that it is often described as an industry-led system. It also needs to be noted that the Australian VET system is complex because of federal government/state government issues and the plethora of both government and non-government organisations that are involved in the system. This in itself presents challenges for industry engagement. In practice, Knight and Mlotkowski (2009) suggest that the system is a partnership between business and employers on one side and the federal and state governments on the other.

Much of the discussion in the sector in recent times has been on skills shortages and meeting the skill needs of individuals and employers. As such, a great deal of activity in the training sector has been predicated on this notion of there being a shortage of skills in the economy. However, in very recent times the economy has been affected by the 'global financial crisis'. While the effects of this are still being worked through, it is likely to affect employment levels. This needs to be kept in mind when reading the paper.

The paper is divided into four main sections, based on the issues listed above. In the first section, the main features of the VET system are described in terms of how they facilitate employer engagement. The second section looks at some of the main data sources on employer engagement with training as well as some headline findings from these data. The next section examines the research on the benefits from training to employers, not only financial but in a more broad sense. The final section looks at the research around barriers to employer engagement with the training sector as well as facilitators that may help in mitigating some of these factors.

Features of the system that encourage employer involvement

While industry has a considerable say in the VET system, employer engagement with the system is not compulsory. Smith and Billett (2004) note that, in the end, training decisions in an enterprise come down to a business case. The business case often comes back to organisational change and new technologies.

There is some suggestion in the literature that, in the past, there has been underinvestment in training by employers. One of the reasons for this is that employers are unable to capture all the returns from training (for example, where employees have transferable skills and leave) and so will tend to underinvest (Allen Consulting Group 2006). Investment in skills by employers is seen as being particularly important in a time of 'skill shortages' (Australian Industry Group 2008).

To provide further context, investment in training is seen to vary by structural factors such as firm size, occupation and industry, and employment arrangements. There is quite a lot of literature in Australia and overseas which indicates that small businesses are less likely to engage in formal training than larger industries. The standard reasons given by small business for not engaging with formal training is a 'time is money' type of argument. Dawe and Nguyen (2007), in a systematic review of the education and training needs of small business, found that two-thirds of small businesses in Australia do not provide structured training for their employees. They discovered that small business is concerned specifically with business needs, and formal training often does not meet that need. They are more likely to engage with informal or on-the-job learning. The Australian Industry Group (2008) also found that firm size was a factor in upskilling workers, with smaller enterprises being more restricted.

Watson (2008), in a paper on skills use in the workplace, found that opportunities for training varied by occupational group and by industry.¹ Although Watson examined this issue from the perspective of the employee rather than industry, patterns of where industry is less likely to engage with training were still indicated.²

Perhaps predictably, the least skilled occupations had the most limited opportunities for skill development, with over one-fifth of lower-skilled workers reporting lack of opportunity for skills enhancement. There were also variations by industry. For instance, workers in wholesale and retail, hospitality, manufacturing, and transport and storage had more limited skills enhancement opportunities. Watson noted that industries in which there were greater opportunities either had high proportions of tradespersons or professional workers.

Watson (2008) also found that skills enhancement opportunities varied by employment type. Jobs with a high proportion of young people, public sector jobs or jobs with a high proportion of people holding VET qualifications afforded more opportunities for skills enhancement.

¹ His analysis is based on NCVET's Student Outcomes Survey and Down the Track Survey, and the Melbourne Institute of Applied Economic and Social Research's Household, Income and Labour Dynamics in Australia (HILDA) panel study.

² He noted, however, that overall a relatively small proportion of employees reported not having opportunities to enhance their skills.

Conversely, jobs with higher proportions of part-time employment or underemployment afforded fewer opportunities for skills enhancement. Mawer and Jackson (2005), using a case study approach, also found that employers were reluctant to provide structured training for casual staff, although they offered them the same access to informal and product-related training as permanent employees.

Keeping this context in mind, this section describes some of the features of the VET system that encourage employer engagement. These features are discussed in terms of the structure of the system, major bodies that have a role in facilitating employer engagement, incentive schemes and further reforms taking place in the system.

Structure of the system

A brief discussion on the structure of Australia's VET system is essential for a discussion of employers' engagement with training. The foundation of Australia's VET system is competency-based training (CBT). This approach to training, introduced in the late 1980s, can be explained in general terms as having a focus on the outcomes of training (ANTA 1997). These outcomes are measured against specific standards and not against other students. Moreover, the standards are directly related to industry practices. In a competency-based training system, the focus is on the student developing the skills, knowledge and attitudes required to operate effectively in employment. A recent report by the Australian Industry Group (2008) emphasised the importance of competency standards in meeting the skilling needs of industry.

The key elements of the system, known collectively as the National Skills Framework, are the Australian Qualifications Framework, training packages and the Australian Quality Training Framework. The first of these elements sets out all nationally recognised qualifications across Australia's three education sectors (schools, vocational education and training, and higher education). There are 15 nationally recognised qualifications in all, eight of which are VET qualifications.

Training packages are a critical component in encouraging employer involvement in the training system. They can be defined as:

A set of nationally endorsed standards and qualifications used to recognise and assess people's skills in a specific industry, industry sector or enterprise. Training packages describe the skills and knowledge that individuals need to possess to perform effectively in the workplace. (Training Packages @ Work 2009)

A crucial aspect of training packages is that their development is industry-driven in order to meet the needs of industry, and what are known as industry skills councils manage their development. There has been a specific process developed for endorsement of these packages (Department of Education, Employment and Workplace Relations 2008). The process includes environmental scans, briefing relevant government agencies, national consultation with industry and other stakeholders, agreement with the package by all stakeholders and presentation of a case for endorsement. There is also a panel managed by the Department of Education, Employment and Workplace Relations that provides expert advice to industry skills councils on matters relating to quality assurance. The training package is endorsed by the National Quality Council (NQC), which oversees quality assurance and national consistency in the application of quality standards. Training packages are generally reviewed every three years. While training packages may seem prescriptive in terms of skills and knowledge, they can be achieved in many ways and the delivery of the package is up to the discretion of the trainer.

The other component of the National Skills Framework is the Australian Quality Training Framework (AQTF). This framework consists of standards which are aimed at ensuring that

training and assessment is consistent and of high quality (training.com.au 2009). There are two sets of standards: one is for state and territory registering bodies and the other is for registered training organisations. In addition to these standards, voluntary ‘excellence’ criteria has recently been added to the framework. This criteria focus on encouraging high performance amongst training providers. While the Australian Quality Training Framework is not directly linked to industry engagement, it does provide some assurance to industry that training provided under this framework meets certain quality standards.

Another aspect of the system that is worth mentioning is competition. It was agreed by government in the 1990s that there should be greater competition in the training market and, as a result, a proportion of Commonwealth and state recurrent funding would be disbursed competitively, with private providers being able to compete for these funds (Knight & Mlotkowski 2009).

Two of the main avenues of competitive funding are through competitive tendering and what is known as ‘user choice’. Competitive tendering simply means that public and private training providers compete for public funds to deliver training (Anderson 2006). User choice on the other hand relates only to the apprenticeship and traineeship system and means that employers have a choice in training provider for delivering the off-the-job component of apprenticeships and traineeships. The purpose of the user choice program is to make vocational education and training more responsive to the needs of employers.

Anderson (2006) conducted an evaluation of the impact of market reforms in the VET sector— notably competitive tendering and user choice. While acknowledging limitations with the methodology of the research, Anderson did put forward some tentative findings. There were positive outcomes of the reforms in terms of choice and diversity, flexibility, innovation and also responsiveness for medium/large enterprise and fee-paying clients. Anderson also reported negative outcomes in responsiveness to small enterprises, local communities and government-subsidised students (in terms of their having fewer training options than full-fee-paying clients).

Knight and Mlotkowski (2009) also note that user choice has been constrained by states due to a desire to maintain the viability of technical and further education (TAFE) institutes and the existence of ‘thin markets’.

The Australian Government is now moving to further increase competition in the sector in order to make it more responsive to industry needs. This is discussed later in this section.

Major bodies

There are various bodies in the VET system whose aim is to encourage industry involvement in VET. Some of the most important ones are listed below (without being an exclusive list).

- ✧ *Industry skills councils (ISCs)*: national bodies which provide advice on skill needs (current and future) for the industry sectors they cover. They also play an important role in managing the development of training packages. There are currently eleven industry skills councils.³

³ See <<http://www.isc.org.au>>.

- ✧ *National Industry Skills Committee (NISC)*: provides advice to government on matters regarding vocational education and training. In particular, this committee provides strategic industry training advice.⁴
- ✧ *Skills Australia*: an independent statutory body established in March 2008 which provides advice to government on current, emerging and future skill needs. While this organisation does not directly encourage employer engagement in the VET system, it provides information that will assist industry on making decisions about training.⁵

In addition to these bodies, there are also various industry groups, while not in the VET system as such, with an interest in the training needs of industry. Some of these include:

- ✧ *Australian Chamber of Commerce and Industry*: the peak employer body in Australia, which represents, through chambers of commerce and industry throughout Australia, over 350 000 businesses. Their purview includes representation on education and training issues for industry.⁶
- ✧ *The Australian Industry Group*: represents about 10 000 employers in a small range of industries, including manufacturing, automotive, telecommunications, information technology, construction and transport, and labour hire. This group also provides education and training services. For example, education and training advisors within the group keep employers informed of developments in the training system and assist employers in other ways, such as employing apprentices, identifying financial incentives and brokering partnerships with training providers.⁷
- ✧ *Group Training Australia*: the peak body organisation that represents over 150 group training organisations, which employ apprentices and trainees and place them with one or more host employers.⁸

There are also a variety of other organisations, including employer associations and unions, which assist industry in engaging in training.

Incentive schemes

Both Commonwealth and state and territory governments have incentive schemes to encourage participation in vocational education and training. The main one is aimed at the apprentice and trainee system (the Australian Apprenticeship program).

Various Commonwealth and state government incentives are available to employers for taking on apprentices and also for completion of an apprenticeship. There are a myriad of combinations of incentives an employer can receive, but as an example for a standard trade qualification at certificate III/IV level, an employer can receive a \$1500 commencement incentive and a \$2500 completion incentive. There are also incentives available to employers for existing worker apprenticeships and traineeships.

⁴ See <<http://www.nisc.tvetaustralia.com.au>>.

⁵ See <<http://www.skillsaustralia.gov.au>>.

⁶ See <<http://www.acci.asn.au>>.

⁷ See <<http://www.aigroup.asn.au>>.

⁸ See <<http://www.gtald.com.au>>.

Further reforms

The system is undergoing further developments in order to provide training that meets the skills needs of industry. One of these is the Productivity Places Program. Under this program, the Council of Australian Governments agreed in November 2008 to deliver about 500 000 training places to job-seekers and existing workers in identified areas of skills shortages over a four-year period (Council of Australian Governments 2008). Funding of places on the program will be informed by a priority list of industries, occupations and regions experiencing skills shortages.

In terms of funding the existing worker places, the Commonwealth Government will fund 50% of places for existing workers, with state governments funding 40%, and industry the remaining 10% (Council of Australian Governments 2008).

Further market reforms of the VET sector mooted in the future involve increased competition for funding. However, due to the possible implications to the Australian economy of the global financial crises, these reforms will be considered at a later date (Council of Australian Governments 2008a).

The Victorian Government has also announced reforms to its training system. These reforms will involve an extra 172 000 training places over the four years beginning in January 2009 and are to be driven by demand from individuals and businesses. These reforms focus on higher-level skills at the diploma/advanced diploma level. Two of the main elements of these reforms are a training entitlement and income-contingent loans. The training entitlement, known as The Victorian Training Guarantee, will subsidise recognised training for all eligible Victorians. For people aged up to 20 years, subsidised training is available at any qualification level, while for people aged 20 years and over, subsidised training is available at foundation skills level or levels higher than qualifications already held. The other element, income-contingent loans, will be available to students undertaking higher-level VET qualifications at the diploma and advanced diploma level.

Of relevance to industry is that these reforms are aimed at making the system less complex to engage with. In addition, money will be made available to industry training advisory bodies to promote training and stimulate demand for training in their industry areas. Money will also be made available in a targeted Apprenticeship Retention Program. This program aims to increase the levels of apprenticeship retention and completion. Finally, the reforms mention that direct support will be given to small- and medium-sized enterprises to assist them in engaging with the training system. Part of this support will be in the nature of workforce planning and training specialists who will work directly with small- and medium-sized enterprises (Skills Victoria 2009).

The incidence of employer-provided skills: Data sources

Introduction

There are relatively few surveys in Australia which measure the extent of employer-provided training and associated issues. Information that is captured tends to focus mainly on formal training as opposed to informal or on-the-job training. There is even more limited information on the costs of training to the employer, and where there is information it does not cover the full cost of training borne by the employer.

Data sources

There are two main data sources relating to employer-provided training. In addition, there are other surveys that contain some information on employer-provided training, while yet other surveys are undertaken from time to time by organisations such as industry organisations.

Survey of Employer Use and Views of the VET System

This bi-annual survey undertaken by the National Centre for Vocational Education Research (NCVER) collects information on how employers meet their skill needs and their engagement with the VET sector. The information collected is based on the employers' training experiences in the 12 months prior to the survey taking place (NCVER 2007). The two most recent surveys took place in 2007 and 2005. This is the largest survey in Australia on employer views of the VET system that is undertaken regularly; for example, in 2007 there were approximately 4700 responses to the survey.

Employer Training Expenditure and Practices Survey

This irregular survey is undertaken by the Australian Bureau of Statistics (ABS) and was last conducted in 2001–02. The survey obtains information from employers on training practices, as well as information on expenditure on structured training. There were approximately 5900 responses received to this survey. Previous surveys were conducted in 1989–90, 1993–94 and 1996–97. While the survey is quite large, it is not undertaken regularly and has not been conducted for several years. Given the changes in economic conditions and the workforce since 2001–02, the results of this survey can be seen as being somewhat out of date.

Survey of Education and Training

The Survey of Education and Training is also conducted by the Australian Bureau of Statistics and provides some information on employer-provided training. It is an in-depth survey on education and training and is conducted every four years. It is a household survey and is conducted in private dwellings. The survey asks about the individual's background characteristics,

employment characteristics, qualifications obtained, recent study, training courses completed and access to education and training, and includes some questions on work-related training. The most recent survey was conducted in 2005, with the latest to be conducted during 2009. The sample size for the survey is in the order of 23 000 individuals.

Other surveys

Other surveys on employers' engagement with training are undertaken from time to time, either as stand-alone or as part of a broader survey. These are often undertaken as part of a particular project and have relatively smaller sample sizes. They are too numerous to mention here but a good example is one undertaken by the Australian Industry Group in 2005 (Allen Consulting Group 2006). This survey was undertaken in response to a project commissioned by the Australian Industry Group on employers' perspectives on skilling in Australia. The project looked at current and future skill needs, as well as policies that would positively affect skilling in Australia. Hence, the survey covered a variety of issues, including strategies for remaining competitive, difficulties in securing skills, extent of training and barriers to upskilling. There were a total of 526 responses to the survey.

Headline data on engagement

The Survey of Employer Use and Views of the VET System showed that overall in 2007, 54% of employers used the VET system. Breaking this down further, about a third of all employees required a vocational qualification for their jobs, just fewer than 30% employed at least one apprentice or trainee, and about 22% had staff who undertook nationally recognised training (where they are not apprentices or trainees). The survey also points out that about seven in ten employers used informal training and about 14% of employers provided no training. This survey also provides information on employers' views on the importance of and satisfaction with the VET system. Overall, the large majority of employers considered that the training was important and were satisfied with the training.

Cully (2005) notes that provision of training by employers and expenditure on training is highly variable, particularly across firm size and industry sector. Larger firms are somewhat more likely to participate in training than smaller firms. Small business employers are less likely to require vocational qualifications for their employees or engage with nationally recognised training, apprenticeships/traineeships, unaccredited training and informal learning (NCVER 2007). About 18% reported providing no training, whereas the proportion of medium and large business employers reporting no training was negligible.

As mentioned, training also varies considerably by industry. The Survey of Employer Use and Views of the VET System (NCVER 2007) breaks up data on employer engagement into various forms of training and is the most recent data on employer engagement available. The following points illustrate variations in training effort by industry in terms of which industries engaged the most and which engaged the least:

- ✧ *Vocational qualifications as a job requirement:* 76% of government administration and defence industry employers required vocational qualifications as a job requirement, whereas only 13% of agriculture, forestry and fishing⁹, and 20% of cultural and recreational services employers did so.
- ✧ *Apprenticeships/traineeships:* 60% of employers in the construction industry and 59% of employers in government administration and defence employed apprentices and trainees,

⁹ The data for agriculture, forestry and fishing need to be treated with some caution due to relatively high standard errors.

whereas 8% of employers in the wholesale trade¹⁰ and 9% in agriculture, forestry and fishing employed apprentices and trainees.

- ✧ *Nationally recognised training:* 63% of employers in the mining industry provided nationally recognised training to their employees. At the other end of the scale, 12% of employers in agriculture, forestry and fishing, 13% in wholesale trade, and 14% in communication services provided nationally recognised training to their employees.
- ✧ *Unaccredited training:* 85% of employers in government administration and defence responded that unaccredited training takes place in their organisation, whereas 32% of employers in the agriculture, forestry and fishing industry, and 36% of employers in the electricity, gas and water supply and also construction industries responded that unaccredited training took place in their organisation.
- ✧ *Informal training:* 99% of employers in the electricity, gas and water supply industry provided informal training to their employees. In contrast, 53% of employers in agriculture, forestry and fishing, and 60% of employers in the communication services industry provided informal training to their employees.
- ✧ *No training:* There were quite a few industries where the proportion of employers not providing any training was very low. The industries where the highest proportion of employers did not provide any training were the communication services industry (30%), and agriculture, forestry and fishing industries (26%).

The Employer Training Expenditure and Practices Survey reported a net employer contribution to training of \$3652.8 million in 2001–02 (ABS 2003). This was comparable with the level of government contribution to the public VET system of \$3882.2 million in 2002 (ANTA 2003). In this regard, it would appear that a substantial amount of employer training does in fact occur.

The Employer Training Expenditure and Practices Survey also provides information on net expenditure on structured training per employee (ABS 2003). While these figures are quite old, they nevertheless demonstrate substantial differences between industries. The survey shows that the industries that spent the most on training per employee were the mining industry (\$1643 per employee), finance and insurance industry (\$1323), communication services industry (\$1279), and electricity, gas and water supply industry (\$1279). Industries that spent the least amount on training were the retail trade industry (\$127 per employee), accommodation, cafes and restaurants industry (\$147), and construction industry (\$208).

While much of the focus on training is concerned with formal learning, NCVET's Survey of Employer Use and Views of the VET System does contain information on informal learning. However, Halliday-Wynes and Beddie (forthcoming) argue that informal learning is an important element of workforce development. Given ongoing changes to technologies and the like, informal learning helps employees keep up with the pace of change. Other studies (for example, Richardson 2004) have also shown that informal learning constitutes a large part, if not the majority, of training effort within businesses and should not be overlooked. Informal learning is also important in small businesses where employers and employees focus on 'learning through doing' (Dawe & Nguyen 2007).

¹⁰ The data for wholesale trade needs to be treated with some caution due to relatively high standard errors.

The benefits of employer-provided training

Employers invest in training presumably because it benefits them. Ultimately these benefits will result in increased productivity and a financial return. There are also other benefits of investing in training that will eventually lead to increased productivity. This section will look at the literature on financial returns on investment in training and also other benefits of training.

There seems to be little recent evidence in Australia on the return on investment in training by employers. A synthesis publication (NCVER 2001) summarised some of the earlier research on returns to investment in training. These studies painted a positive picture, showing that returns could be very high and were not dependent on firm size or industry. Rather, it was the nature of the training program and its relevance to business needs that were seen as being the important factors. The returns were seen to come in many forms, such as increased flexibility among employees, reduced overhead costs (due to efficiencies) and a greater ability to innovate. For example, training in operating new technologies was found to be of considerable benefit to firms.

There is some more recent literature which discusses benefits that can be obtained from employer-provided training. These benefits do not directly discuss productivity gains, but are clearly factors that would assist in making these gains. Smith et al. (2005) found several benefits to firms who engage in nationally recognised training. In particular, nationally recognised training was found to assist employers to engender a structured approach to training and career progression for employees. Furthermore, because the training was nationally recognised, employers had confidence in the quality of the training and this was perceived to be a benefit. It also meant that, when tendering for contracts, employers could demonstrate the skills of the staff to contractors. Similarly, demonstrating the skills of staff through nationally accredited training assisted in meeting regulatory requirements. Another benefit of nationally recognised training was that the funding associated with this training helped firms to meet their training costs.

Mawer and Jackson (2005) found, using a case-study approach, that in small-to-medium-sized enterprises more formal accredited training was not particularly highly regarded except where the training was mandated (for example, for licenses and occupational health and safety). Instead, informal training was of more benefit to small-and medium-sized enterprises because it was more focused on meeting the immediate needs of the enterprise. Informal training was also seen to be of more benefit to longer-term casual staff.

Cully (2005), in his synthesis on employer-provided training, discusses why employers provide training. He divides these into pull-and-push factors (see table 1). While not benefits per se, some of the factors can be seen in that light.

Table 1 Reasons for providing training

	Push factors	Pull factors
External	Occupational licenses Equipment licenses Safety standards	Incentive payment/grants Skill shortages
Internal	Contractual requirements Industrial agreements	Productivity improvements Quality assurance Introduction of new technology Workplace change Managing risk Employer of choice

Source: Cully (2005, p.6).

If we look at the internal pull factors in the table, we see that factors such as productivity improvements, being the employer of choice and being able to effectively use new technology are definitely benefits of employer training.

Another benefit of training is that it can lead to the retention of skilled staff. Smith, Oczkowski and Selby-Smith (2008) discuss how investment in training can be an important way to retain and use skilled staff. Their research looked at the strategies organisations can employ to increase the retention of skilled people. In doing so, and using a combination of surveys of employers and case studies in eight organisations, they examined various factors that may influence the retention of staff. These factors included pay and conditions, non-monetary rewards and training.

Alluding to Herzberg's theory of motivation (Herzberg 1966) as a kind of a rubric, they found that factors such as pay and conditions did not have a decisive influence on whether employees stayed. Herzberg referred to these as 'hygiene' conditions—if they are not there employees are dissatisfied but they are not motivating factors in themselves; rather, it was issues relating to learning and development that were found to motivate employees. In particular, it was the learning climate¹¹ of an organisation that was the most important determinant in retention and use of skilled staff. Specific training initiatives, in particular those involving nationally recognised training, were also found to be determinants. Employers thought that employees were better able to use their skills with nationally recognised training and that employees valued acquiring the qualification.

Drawing a longer bow, the effects of training on employees' health and wellbeing could also be of benefit to the employer. For example, Stanwick, Ong and Karmel (2006) found a relationship, albeit small, between higher-level VET qualifications and measures of health and wellbeing. Although their study did not focus on employer-provided training, it does demonstrate that there may be broader benefits of training for employees, which will also benefit employers, presumably in the form of increased productivity.

¹¹ 'Learning climate' includes training and also the opportunities for employees to learn and develop through their work.

Barriers and facilitators to employers undertaking training

Barriers

There are various potential barriers to employers engaging with the VET system. These barriers mainly concern costs and resources and issues relating to the training system.

Resourcing issues

Resourcing and related issues present barriers to employers engaging with training. Allen Consulting Group (2006), in a survey of over 500 employers, found that one of the main barriers to training was the difficulty of accommodating it around work demands. Insufficient financial incentives from government were also said to be a main barrier, which may well imply that firms find training too costly. However, Mawer and Jackson (2005) did not find this to be a significant barrier in their small sample study. The Australian Industry Group (2008) found that 52% of chief executive officers (CEOs) surveyed saw cost as the major barrier to upskilling existing workers. Lack of government incentives was also mentioned by 36% of CEOs.

Training system

Cully, in a summary of research on employer-provided training, stated that:

A strong finding to emerge from this body of research is that employers find it difficult to organise training for their workforces; in particular, they find the formal VET system to be complex. (2005, p.8)

Part of the problem for businesses is getting appropriate information about what kinds of training will be suitable for their businesses and keeping up with the training market. Types of information that employers value in making training decisions include return on investment for particular types of training and information on the training providers who will provide the training the business requires.

Smith et al. (2005), in a study on the use of nationally recognised training by enterprises for their existing workers, also found that enterprises perceived the VET system to be complex as well as jargon-ridden. The perception pervades all business sizes, although it is more prevalent in small- and medium-sized enterprises. One of the key determinants in understanding the formal VET system is whether the business has any staff with formal responsibilities for training. However, Allen Consulting Group (2006) found that the complexity of the training system was not seen as so much of an issue by employers as it was in an earlier survey that was conducted in 1998, meaning that there may be better information available.

Another reason why Smith et al. (2005) found that a relatively small proportion of employers were not engaging with nationally recognised training was that they may be dissatisfied with the content of the training or the training providers. Industry training packages may not provide all the skills that are believed to be required, or the training may not be attuned to the needs of the

industry. Mawer and Jackson (2005) found in their case studies that perceived relevance varied by industry. In the retail industry, employers claimed that retail training programs were too generic for their needs and that training providers were often unwilling to tailor the programs. However, in the pharmaceutical sector, employers found the training to be highly relevant. Skill-classification levels within the industry are based on competency standards and training is usually conducted on the job. This training is supported by a registered training organisation and relevant employer organisations.

This issue was reiterated by the Allen Consulting Group (2006), where some employers saw issues with the training system as a barrier to training, in particular the relevance and flexibility of the training. Thirty per cent of the CEOs interviewed in the Australian Industry Group (2008) study saw lack of relevant training as a barrier to upskilling existing workers. However, in this study, companies seemed reasonably satisfied overall with opportunities for upskilling staff.

In NCVER's latest Survey of Employer Use and Views of the VET System, only a small (less than 10%) proportion of businesses that provided nationally recognised training to their employees said that they were not satisfied with the training. Where there was dissatisfaction, the main reasons were not enough practical/hands-on skills provided and relevant skills not being taught. The survey also found that small businesses were less likely to be satisfied with recognised training. While Smith et al. (2005) also said that there some 'complaints' with the nationally recognised system and training packages, they put this down more to a lack of understanding rather than actual deficiencies.

Facilitators

There are various ways of overcoming the barriers that are discussed in the research. These facilitators will suit different circumstances at different times. One of the important ways of facilitating training discussed in the research is through networks and partnerships. These can take many forms. These can for example be networks and partnerships between enterprises, between industry and training organisations, supply chains and many others.

One approach that has been advocated to assist with employer engagement in skills development is the 'skill ecosystem' approach (Buchanan 2006). The skill ecosystem approach is aimed at better linking employment and learning. This approach involves government funding for projects and the use of intermediaries who help industry navigate the training system, but who are not advocates for the industry. There are a wide range of stakeholders involved in the projects, including government, employers and employer associations. There are also industry networks and facilitators. The skill ecosystem approach seems to assume that governments have to intervene to get employers to invest in skills development. Buchanan notes, however, that one of the challenges in this approach is proper coordination involving all the various parties.

Buchanan (2006) also mentions two skill ecosystem pilot programs that have been undertaken in Australia, one national and the other state-based. Although these initiatives had not been evaluated, Buchanan summarises some of the lessons learned. Firstly, Buchanan notes that the pilot programs do not solve 'standard' training problems but rather address either demand or supply-side issues. Secondly, the pilot programs showed that it could be difficult to get employers to share the responsibility for developing skilled workers and that it takes time. Thirdly, the involvement of a wide range of stakeholders in the pilot programs was necessary for success. Fourthly, the quality of facilitators, including their experience and commitment to dealing with a network of employers, is an influencing factor. Finally, educators and policy-makers involved in education and training need to maintain a balancing act between being too prominent in the arrangement on one hand, and not prominent enough on the other.

Facilitating links between employers and the VET system is also seen as being important in assisting employers to navigate through the complexity of the system and in providing appropriate training. Cully (2005) reported that employer associations, Australian Apprenticeship Centres, group training organisations and professional associations play an important intermediary role in assisting employers to navigate through the system. Smith et al. (2005) advocate the use of a company 'evangelist' to promote nationally recognised training within an enterprise. This 'evangelist' would have previous knowledge and experience of nationally recognised training.

NCVER (2003) also mentions other networks and partnerships to assist employers in their training decisions. For example, supply chains (which involve networks of suppliers, the employer and customers), if effectively managed, can be used to facilitate learning in enterprises. Another facilitator for some employers is engagement with the community. NCVER (2003) cites the example of an oyster-processing enterprise that began out of a training program organised by the Tasmanian Fishery Industry Training Council and was customised to the needs of the local shellfish industry. This program is purported to have resulted in improved training in the fishing industry locally. Another effect was said to have been a reduction in youth unemployment in the area.

Dawe and Nguyen (2007), in a systematic review on training needs for small businesses, found evidence that a personalised approach through a recognised local facilitator was an essential strategy in training for small businesses which may not be positive about training. Some of the factors mentioned that contribute to this strategy include personal contact with small business managers to analyse their business needs and providing ongoing business-specific support. The facilitator could come from a business organisation or the like.

Another one of the barriers to training discussed is the possible dissatisfaction by some employers with the relevance, flexibility and responsiveness of training. It follows then that flexible and responsive training will encourage employers to engage in training. Dawe and Nguyen (2007) found that flexible provision, including individualising training information, content and delivery, was required to meet the needs of training for small businesses. Flexibility can also be enhanced by minimising time spent away from work and by providing formal and informal training within the workplace. Partnerships and networks, as discussed above, will also assist in overcoming the issues of relevance, flexibility and responsiveness. In addition, the ability to have recognition of existing skills in a formal sense may encourage employers to engage with the training system (Mawer & Jackson 2005). In Australia, this process is known as recognition of prior learning.

Another facilitator in overcoming barriers to the provision of training by employers is financial incentives. The main financial incentives are those aimed at apprentice and trainees mentioned earlier in this report. There are also other types of financial incentives that can be used, such as levy systems. These are mentioned by Cully (2002) and Smith and Billett (2004) as one option for increasing employers' contribution to training. In Australia, outside the construction industry, training levy systems do not currently exist.

Conclusion

This paper has discussed mechanisms for the engagement of employers with the VET system, as well as barriers to doing so. Fundamentally, the main way of encouraging employer engagement in Australia is through competency-based training. This approach has largely manifested itself through training packages, which are developed by industry to meet the needs of industry. Intermediary organisations such as industry skills councils also play an important role in facilitating this approach. They manage the development of training packages and also provide advice on skill needs.

Contestability or competition for government funds is the other main way of encouraging employer engagement in the VET system. Contestability is aimed at providing a system that is responsive to the needs of employers and providing more choice in training providers.

While the system is structured to engender employer engagement through competency-based training and training packages, there are nevertheless still some barriers. In addition, certain types of employers; for example, small business employers, have been reluctant to engage in the VET system. Reforms such as those taking place in Victoria are aimed at enhancing employer engagement; for example, by providing support for small- and medium-sized enterprises to engage with the system. Finally, we do not fully know what effect the 'global financial crisis' will have on employer engagement.

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Appendix: Glossary

The source for these terms is NCVER's *VET glossary*, available at <http://www.ncver.edu.au/resources/glossary.html>.

Australian Qualifications Framework (AQF): a unified system of national qualifications in schools, vocational education and training (TAFE institutes and private providers) and the higher education sector (mainly universities). The qualifications are: senior secondary certificate of education; certificate I; certificate II; certificate III; certificate IV; diploma; advanced diploma; associate degree; bachelor degree; vocational graduate certificate; vocational graduate diploma; graduate certificate; graduate diploma; masters degree; doctoral degree.

Australian Quality Training Framework (AQTF): a set of nationally agreed quality assurance arrangements for training and assessment services delivered by Australian training organisations. The AQTF comprises standards for registered training organisations (RTOs) and standards for State and Territory Registering and Course Accrediting Bodies. The first version of AQTF was implemented in 2002. It was revised in 2005 and again in 2007.

Competency-based training (CBT): training which develops the skills, knowledge and attitudes required to achieve competency standards.

Competency standards: an industry-determined specification of performance which sets out the skills, knowledge and attitudes required to operate effectively in employment. In vocational education and training, competency standards are made up of units of competency, which are themselves made up of elements of competency, together with performance criteria, a range of variables, and an evidence guide. Competency standards are an endorsed component of a training package.

Industry training advisory body (ITAB): an autonomous industry body which was recognised by governments as the major source of advice from industry on training matters. ITABs existed at both national and state levels. In 2003, following the restructuring of the national industry training arrangements by the Australian National Training Authority, the national ITABs were replaced by 10 industry skills councils. Some state and territory-based ITABs continue to exist.

Nationally recognised training: an accredited program of study that leads to vocational qualifications and credentials that are recognised across Australia. Only registered training organisations that meet government quality standards such as TAFE, private providers and vocational divisions of universities can provide nationally recognised training. It includes accredited courses and endorsed training package qualifications.

Registered training organisation (RTO): an organisation registered by a state or territory registering and accrediting body to deliver training and/or conduct assessments and issue nationally recognised qualifications in accordance with the Australian Quality Training Framework. RTOs include TAFE colleges and institutes, adult and community education providers, private providers, community organisations, schools, higher education institutions, commercial and enterprise training providers, industry bodies and other organisations meeting the registration requirements.

Technical and further education (TAFE): (1) a government training provider which provides a range of technical and vocational education and training courses and other programs (for example, entry and bridging courses, language and literacy courses, adult basic education courses, senior secondary certificate of education courses, personal enrichment courses, and small business courses). Each state its own TAFE system: TAFE NSW; TAFE Queensland; TAFESA; TAFEWA; TAFE Tasmania; Office of Training and Tertiary Education in Victoria. Northern Territory and Australian Capital Territory do not have separate TAFE sectors but provide vocational education through the tertiary education sector. (2) an institution offering TAFE courses; a college or institute.

Training packages: an integrated set of nationally endorsed standards, guidelines and qualifications for training, assessing and recognising people's skills, developed by industry to meet the training needs of an industry or group of industries. Training packages consist of core endorsed components of competency standards, assessment guidelines and qualifications, and optional non-endorsed components of support materials such as learning strategies, assessment resources and professional development materials.

User choice: a national policy governing the flow of public funds to registered training organisations selected by employers to deliver the off-the-job training components of apprenticeships and traineeships. Its purpose is to make vocational education and training more responsive to the needs of industry and employers.