

VECCI VICTORIA SUMMIT 2009
Task Group Report
Workplace Futures
 Realising Our Human Capital Potential



Task Group Report

Workplace Futures

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SUMMARY

The Victoria Summit Workplace Futures Task Group envisages a workplace in the year 2025 that is productive, flexible and socially responsive. Relying on forecasts of what our workplace futures would look like if we made no changes to our current trajectory of workforce participation, retirement, and migration, the Task Group identified reforms that are needed to get us to the workplace future that we want.

Four key challenges and opportunities were identified as being crucial to achieving medium and long term success; globalisation and diversity, demographic change, changing social values, and technological change.

Victoria's strengths provide opportunities to make decisions today to create the workplace of the future that we want.

This report highlights the priority concerns raised during the consultation process, and provides recommendations for reform, as well as additional options for further consideration.

INTRODUCTION

As we look forward to 2025 and beyond, the workforce of the future will need to respond to a range of challenges, including the ageing of our population, how we continue to capitalise on our political stability and cultural diversity, incorporating technological change, and satisfying changing social values.

The key to our success in this will be to draw on Victoria's current advantages. The State has made significant investments in infrastructure and new technologies; established a flexible and responsive training system; is home to some of Australia's largest and most prestigious universities; and has a rapidly growing population. In 2009 Victoria has attracted the largest share of migrants and is the leading destination for overseas students.¹ Our economy is diverse, with a strong manufacturing base as well as a fast growing service sector. The Victorian economy is strong, our WorkCover premiums are low, and we have a declining level of accidents in our workplaces providing a competitive advantage over other states.

However, there are barriers to achieving a future workplace that meets our productivity requirements, has the flexibility to meet the needs of a diverse workforce, and provides the skills to compete in a globalised world and meet the sustainability challenge. Industry must incorporate ever

increasing social demands into the way it operates and interacts with the broader community. Technological advancement will provide much needed solutions to productivity and sustainability, but will place greater demands on the skills and knowledge of our workforce now, and into the future.

Consultations conducted with business and other stakeholders over the course of 2009 raised a range of issues similar to those discussed at the 2007 Victoria Summit. Ageing of the population, skill shortages, skilled migration, and reform of the Higher Education and Vocation Education sector, remain key priorities. This is not surprising given the long term nature of these issues. However, the fact that many in business and the community feel we are no closer to resolving them, is a serious concern.

If we do not face, and ultimately resolve, these challenges, they will have a profound impact on Victoria's future success and prosperity. If the right decisions are made, over the coming decades we will see a maximisation of our productive capacity, an improvement in our sustainability performance and a retention of our high standard of living. If the wrong decisions are made, then Victoria is likely to experience a decline in local manufacturing, a decline in productivity, cuts in services, increasing environmental damage and a reduction in living standards.

WORKPLACE FUTURES: THE CHALLENGES

Recent publicity of violence toward overseas students, and the provision of poor quality education services by a small number of providers, has focused public attention on the risks to our largest and fastest growing export – education services. However, the debate has not focused on the role that the overseas student market should have. We need to consider whether its role is primarily a revenue source for universities and private colleges, or whether it is to grasp the opportunity to actively pursue the best and brightest to meet our looming skill and population challenges while fostering deeper and enduring cultural and business exchanges across our regional neighbours and commercial markets.²

Victoria's workforce participation rate is below the national and OECD average;³ the average retirement age is low at 60.3 years;⁴ and many older workers and disadvantaged groups face significant barriers to participating in the workforce. Our education system at present is largely unprepared to be able to train the workforce of the future^a While Governments have set targets for lifting the

¹ Australian Bureau of Statistics (2009), Catalogue No. 3101.0, Australian Demographic Statistics, March Quarter 2009.

² Victorian Auditor-General's Office (2009), International Students: Risks and Responsibilities of Universities.

³ Australian Bureau of Statistics (2009), Catalogue No. 6202.0, Labour Force Australia, September 2009; Abhayaratna, J. and Lattimore, R. (2006), Workforce Participation Rates - How Does Australia Compare? Productivity Commission

⁴ Australian Bureau of Statistics (2007), Catalogue No. 6238.0, Retirement and Retirement Indicators, Australia, July 2006 to June 2007.

qualification levels of adults, and Year 12 and equivalent retention rates, unfortunately there are still over 1.6 million Victorian workers without a post Year 12 qualification, and previous literacy, numeracy, and school retention targets have not been met.⁵ In addition, the underutilisation of migrants and disadvantaged groups continues to hinder increased workforce participation rates. Moreover, our growing dependence on international students is unsustainable if questions around quality and its role in meeting our future aspirations are not addressed.

Demographic change has shifted from a looming issue to a current reality. The 20 year arc of the baby boomers shifting out of the workforce has begun and will be complete by the end of the 2020s.⁶ Issues relating to Australia's ageing population have dominated the Task Group's consultations with employers and business service providers. Many industries are unprepared for the loss of workforce skills through retirement. The lack of transition planning not only applies to workers and skills, but also to the many owners of small and medium sized businesses (SMEs) who have no succession plans in place for the operational management of the business after their retirement.

Victorian businesses today face greater demands than ever to respond to changing community values. The global recession, triggered by financial collapses on Wall Street and Europe, has in Australia been characterised, from the public's perspective, by excessive salaries and executive golden parachutes despite large corporate losses. Likewise, environmental concerns have seen some of Victoria's major industries and energy suppliers decline in esteem, despite their central role to our economic future. The wide acceptance of flexibility in our workplace relations, the fading of the traditional work week, and the greater importance of retirement income planning as we live longer, has redefined the notion of work and created new challenges for both employers and workers.

Technology and innovation is crucial to our future workplace. It is vital to increase our productive capacity as we lose skills and workers, improve our international competitiveness, and meet new obligations under capped emission regulations. However, unless we markedly accelerate the current rate of business investment in new technology and equipment, research and development (R&D), and the use of sustainable and innovative practices, Australia will lag further behind the United States, Europe and other fast developing nations of our region. Victoria's strengths are in the services sector and medium and high level manufacturing and value-added products. Keeping

ahead of technological changes is imperative in all these areas to simply maintain our standing in global competitiveness.

OUR VISION FOR 2025: VICTORIAN WORKPLACE FUTURES

By 2025 our workplaces are transformed to make flexibility and adaptability common practice. This has allowed individualised transitions for new and older workers as they progress through the different phases in their lives. Shifting to part-time work some time before retirement is the transition plan for 1.1 million people aged 45 years and over who are currently in full-time employment.⁷ Therefore, Australian workplaces have a greater proportion of older workers working part-time and flexible hours in operational, managerial and mentoring positions. This has assisted in addressing our labour and skills challenge as a result of ageing population. To achieve this competitive and productive workplace of the future, Australia has increased its workforce participation rate to 70 per cent, and lifted our average retirement age to 65 years.

Technological change has allowed younger workers to have the flexibility to work in virtual offices, on the road and from home. The workplace is highly flexible and productive, with free-flowing partnerships between workers and managers, and fluid and dynamic decision making to ensure production efficiency and responsiveness to quickly changing market conditions and demands.

Leveraging effectively off Australia's unique social and political harmony, and Victoria's share of overseas born citizens, our education institutions are the global gateway for large numbers of skilled migrants, bolstering our population and skills base, while creating a global alumni with close connections between Australian and international markets. Technology advances, such as real-time text and voice translations, bring Australian businesses closer to customers and partners around the world.

Victoria's Vocational Education and Higher Education providers are amongst the most recognised, diverse and prestigious in Australia and the region. Victoria's significant investments in large and sophisticated research facilities and infrastructure, including the Synchrotron, the Australian Stem Cell Centre and the desalination plant, have expanded the base for science and engineering innovation and allied support services, which have been critical for securing our competitive, high growth economic future.

⁵ Victorian Auditor-General's Office (2009), Literacy and Numeracy Achievement; Australian Bureau of Statistics (2009), Catalogue No. 4221.0, Schools Australia 2008.

⁶ Australian Bureau of Statistics (2009), Catalogue No. 6361.0, Employment Arrangements, Retirement and Superannuation, Australia, April to July 2007 (Re-issue)

⁷ Australian Bureau of Statistics (2008), Catalogue No. 6361.0, Employment Arrangements, Retirement and Superannuation, April to July 2007.

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In our vision for Workplace Futures, 70 per cent of adults have at least one post-compulsory qualification, and 90 per cent of school leavers go on to complete a Higher Education or Vocational Education qualification.⁸ Math and science enrolments at senior secondary school have increased from the current level of 80 per cent, with a subsequent flow on to Vocational and Higher Education enrolments in engineering and science.⁸

Business and community values are closely aligned, with high levels of public trust in business conduct the result of mindful attention to community expectations by industry leaders across social, environmental and labour considerations. Harmonisation of these values has allowed greater workplace flexibility and increased responsiveness to social needs, placing business at the forefront of public policy development and even social policy development.

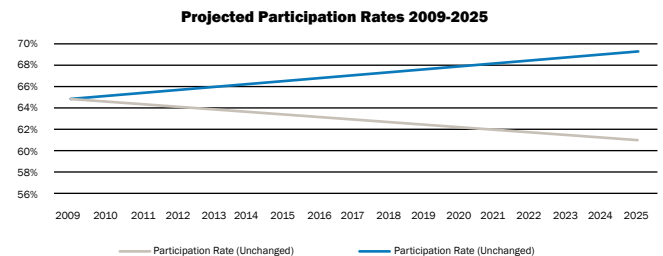
WHAT WILL HAPPEN IF WE DO NOTHING?

If Australia's high birth and net migration rate continues, our population could potentially reach 27.8 million by 2025, with Victoria growing by up to 26.8 per cent to reach 6.7 million over the same period.⁹ However, due to the ageing of the population, workforce growth will decline and will exacerbate today's skill shortages, and result in an even greater labour shortage than was experienced in the 2006-2008 period of record low unemployment.

If Victoria's rates of participation across the 15-65 year age group remains unchanged, our workforce will number approximately 3.3 million, up from 2.8 million today. However, 16.2 per cent growth in the workforce is unlikely to meet future labour needs, if jobs growth for next 15 years is even half of what it was for the last decade and a half.

If Victorian workers continue to retire at the current rate, and migration levels remain at current levels, then by 2025 Victoria's workforce participation rate is likely to decline from 64.7 per cent, to just 61.1 per cent. This could potentially result in a shortfall of 440,000 workers, and make it difficult for industries to remain in Victoria and deliver services to meet growing demand from baby boomer retirees. However, because of the greater proportion of older Victorians, even a participation rate of 64.7 per cent in 2025 will not be enough to meet future labour needs. Instead, we will need to lift our participation rate to 69.2 per cent; either through lifting the average retirement age, increasing the level of skilled migration or a combination of both.

Figure 1: Projected Workforce Participation Rates 2010-2025



While Victoria enjoys quality education institutions, and all Victorians are entitled to primary, secondary, post-compulsory and tertiary education, there are over 1.6 million Victorian workers who do not hold a post Year 12 qualification. Also, literacy and numeracy rates and school retention targets have not been met, despite the setting of Government targets and the allocation of significant resources. Recently there has also been considerable coverage on the equity barriers for university entry for Year 12 leavers and for students from regional areas. If we do not address these issues, we are not going to achieve the required workforce skill and participation levels, and at the same time, reduce social disadvantage. The underutilisation of migrants and disadvantaged groups in the community will also continue to hinder increase workforce participation rates.

If action is not taken to address the risks in our overseas student market, Victoria is likely to see a decline in growth and total enrolments due to competition from North America, Europe, Asia, as well as home country institutions particularly in China and India. This will prove a loss to a highly skilled labour supply, and will also have a detrimental affect on university income and their ability to adequately fund a range of programs and services.

These issues will be compounded if policy settings do not change. Victoria will not only struggle to meet the skills industry needs now, but will also struggle to respond to the skill requirements of a technologically advanced economy responding to climate change.

GLOBALISATION AND DIVERSITY

A Globalised Victoria

Victoria in 2025 must embrace migration and the free movement of people in and out of the country. The exchange of ideas, the linking of communities and markets, and the flexible flow of skilled labour are vital for Australia and Victoria to overcome climate change, population ageing, and industry sector structural shifts over the next

⁸ Dobson, I. (2007), Sustaining Science: University Science in the 21st Century: A Report prepared for the Australian Council of Deans of Science.

⁹ Australian Bureau of Statistics (2008), Catalogue No. 3222.0, Population Projections, Australia, 2006 to 2101, (Series A)

two decades. No amount of domestically focused education and workplace reform will meet our future needs without an increase in the flow of skilled and professional people into this country.

Three decades of economic reform and globalisation have transformed Australia's economy and society. Over the last decade the resources boom has forged new trade links with the powerhouse economy of China, and in recent years, has created opportunities with India. Over the same period, tourism and service sector earnings have grown significant.

However, despite the strong position these factors have placed Australia in we have not escaped the global recession's impact on exports, credit and confidence. Many business owners and stakeholders engaged as part of the consultation process have reported the need to address liquidity and access to funds, and ensure ongoing viability.

One of the remarkable success stories over the past 12 months has been the preparedness of business and workers to collaborate to exercise flexibility, reduce costs, and ensure business viability, thereby protecting hundreds of thousands of jobs. Shorter weeks, taking unused leave, cutting hours and reducing inventories ensured that unemployment did not rise to the dramatic levels forecast in the May 2009 budget.

Outsourcing and off-shoring work roles is a reality of a competitive globalised economy. A number of large corporate businesses now have work locations across the Asia-Pacific region, making their business global and extending their workforce responsibility beyond Australia. This growing trend will see business require workers to have new skill sets, higher levels of mobility and a global focus.

The next decade will see many more businesses adapting to new models of working, particularly with technology innovations turning futuristic promises of virtual teams operating globally into a reality within the decade. However, managing global workforces and supply chains will create demands for greater levels of sophistication in Australian management skills. At an individual level the challenge will be leadership and vision capacities to balance and adapt to new business models, while at the same time nurturing personality, passion and empathy in a new workforce generation.

Migration and Overseas Students

Australia's international student market has been shaken by concerns over student safety, quality of education outcomes, and the viability of some institutions. To date, the discussion has focused on the role of State regulatory authorities in monitoring colleges and the regulation of migration agents in creating the circumstances underpinning the crisis. The high profile nature of these issues, which impacts on Australia's reputation as a quality education exporter, and as a desirable place for skilled migrants to live and work, makes it a high priority for Government, the tertiary education sector and industry to address. This places at risk not only annual export earnings of 15 billion dollars, and 15 per cent of the university sectors income,¹⁰ but Australia's reputation as a modern and global society.

While the Victorian and Australian Governments have acted quickly to address the immediate concerns over the viability of overseas student education providers and the propriety of the student visa system, concerns remain over the delivery quality and the larger question of Australian universities' reliance on international students to cross-subsidise other operations. Combined with increasing competition from other markets, and longer term expansion of home tertiary institutions of current source-countries, there are considerable threats to this sector's long term viability.

The current Australian international student market is perceived by some, rightly or wrongly, as an external revenue source for universities and vocational colleges, and for a small, but significant number of students, an avenue to Australian residency. The potential for this market is underestimated, and our current attitude is short sighted. Australia, and Victoria particularly, has to make a choice as to whether the overseas student market is primarily about cross-subsidising domestic students within a constrained funding system, or if it is to increase Australia's global presence and network and attract bright minds and a potential skilled workforce to meet our skill and labour needs.

Victoria is uniquely positioned to benefit from an increasingly globalised world with a significant proportion of Australia's international student population studying at Victorian Higher Education institutions. In 2008, Victoria had a tertiary student population of 278,783 (26.2 per cent of Australia's total student population), with 33.5 per cent made up of international students, compared to a national average of 27.1 per cent.¹¹ This represents a 6 per cent advantage over other states, but also shows that Victoria has more to lose should we get it wrong.

¹⁰ Bradley, D. (2008), Review of Australian Higher Education, December 2008

¹¹ Australian Bureau of Statistics (2009), Catalogue No. 4102.0, Australian Social Trends, Data Cube - Education and training, 30 June 2009; Department Education, Employment and Workplace Relations, (2009) Students: Selected Higher Education Statistics.

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Figures from 2008 indicate that overseas Higher Education degree level enrolments were split; 35 per cent postgraduate and 60 per cent undergraduate. However, only 11 per cent of overseas postgraduate enrolments were in research degrees. When one examines the area of study, only 23 per cent were in natural and physical sciences, engineering and related technologies, architecture and building, health and education. Similarly, 25 per cent of overseas undergraduate enrolments were in these fields.^{12 c} This data suggests that while there is significant potential to attract a larger share of overseas students to meet skill and labour needs, it will require aligning overseas student enrolments to occupations and industries that are experiencing skill shortage.

However, to ensure that the opportunities for overseas graduates are maximised, there also needs to be stronger links between the area of study and industry experience. Therefore, flexible models of integrated learning or work experience need to be explored. This will provide Australian businesses with greater exposure to overseas students, while offering students the benefit of developing employability skills, including English language proficiency.

While there are concerns over the quality of some private colleges that specialise in permanent residency linked training, and the poor take up of employment in the area of study undertaken by overseas students, this should not be used to restrict student migration. However, research indicates that where students have a longer attachment to their course, such as a three year degree, and there is a mix of overseas and domestic students, the learning outcomes are achieved and there is a significantly increased likelihood of that individual working in an occupation related to the area of study. This indicates that targeting overseas students is an attractive option to achieve medium and long term skill and labour needs.

Tourism and the Service Sector

Victoria's tourism industry currently employs around 179,200, with over 60,000 of those located in regional areas. The global recession and the recent appreciation of the Australian dollar has created significant pressures on Victoria's tourism industry in the short to medium term. However, with the service sector currently contributing 70 per cent of Victorian economic growth, there are significant benefits to be expected for the industry in the future. However, it is also going to face the same challenges as other industries, including labour and skill shortages, and increasing levels of competition.

Tourism providers in Victoria need to become flexible enough to adapt to rapidly changing market conditions and develop new product and offerings that are flexible enough to cater to the needs of the domestic market, including a rapidly growing baby boomer 'grey nomad' market segment, as well as overseas target markets.

The high level of casual work arrangements in the tourism and wider service industry is likely to see the sector embrace older workers by 2025. The industry is also likely to attract older workers that are seeking part-time employment, and are supplementing superannuation savings.

The number of international visitors to Victoria is forecast to grow by an annual average growth rate of 4.0 per cent from 2008-2018, with the highest growth in visitors expected from China, India and Indonesia. Chinese visitor numbers are forecast to rise by 10.3 per cent from 2008-2018; India by 14.8 per cent; and Indonesia by 9.9 per cent in the same period.

The industry is likely to face workplace changes, including 'social drivers' including the perception that the industry is low skilled, low paid and does not offer realistic career paths. There will also be technology drivers, such as greater use of the internet and other innovations to promote all service offerings. Providers must adapt to rapid changes in use of web sites for online bookings, as well as the increasing use of sites for 'last minute' bookings. The rapid growth of social networking sites will also have an impact, particularly the growth of travel sites where blogs are hosted which review destinations and tourist provider experience. Providers will need to adapt to these changes or risk serious impact on their business.

CHANGING DEMOGRAPHICS

Even in the short space of two years, demographic change has intensified into the foremost preoccupation of employers, according to our consultations. The 20 year arc of baby boomers shifting out of the workforce has begun, and will be complete by the end of the 2020s. Issues associated with the ageing population dominated the Task Group's consultations with employers and business service providers. These include concerns over the loss of skills to retirement, the occupational health and safety risks associated with an older workforce, and the lack of transition planning. The question of transition planning was not only for workers and skills, but for the approximately 144,000 Victorian small and medium business owners aged 50 years and older who may not have plans in place for the operational management of the business after their retirement.¹³

¹² Department Education, Employment and Workplace Relations (2009), *Students: Selected Higher Education Statistics*.

¹³ Australian Bureau of Statistics (2008). Catalogue No. 8175.0, Counts of Australian Business Owners, 2006 to 2007; Australian Bureau of Statistics (2008). Catalogue No. 8127.0, Australian Small Business Operators - Findings from the 2005 and 2006 Characteristics of Small Business Surveys, 2005-06

Without careful planning, many owners could be looking to sell at the same time in a narrowing market place. This will have serious implications for both the income security of small business owners, as well as the prospect of that business continuing and the future for employees.

The prominence of demographic change and skill shortages has recently been overtaken by the economic downturn of the last 12 months. With unemployment increasing over that period, it would be easy to assume that we no longer have a labour or skills shortage problem. However, skill shortages still exist in many industries and the reality of Australia's ageing workforce means we face a structural deficit of workers over the next 15 years.

The downturn has already seen short term changes in behaviour with many workers aged 55 and over choosing to remain in, or rejoin the workforce. Between January and June 2009, the participation rate for workers aged 55-59 years increased from 68.6 per cent to 71.4 per cent;¹⁴ the first time it has exceeded 70 per cent. While this behaviour may be attributed to short term economic uncertainty, Australia's current overall workforce participation rate of 65.4 per cent needs to increase to mitigate the impact of the loss of older workers as the 3.5 million baby boomer workforce shifts to retirement between now and 2025.

The retention of workers beyond the age of 65 years, provided they have capacity to work, will increasingly no longer be a choice for employers, as the pool of available labour shrinks. Research suggests that many older workers suffer burnout and more flexible work options and roles would help resolve this issue. Evidence suggests that many older workers are happy to take a role with reduced responsibility.¹⁵

The policy focus needs to be on workforce planning and development, along with further education for both employers and employees concerning 'workable' flexible work practices. The Victorian Government, through its Workforce Participation Strategy¹⁶ has committed to a number of initiatives that focus on helping businesses with workforce planning and development. It is recommended that these existing policies and initiatives be expanded to include the involvement of employees and employers to create new practical, viable flexible work options.

The eligibility age limit for the Victorian WorkCover Insurance Scheme¹⁷ will either need to be lifted or alternate protection developed for employees over 65 years of age.

While the Australian Government's phased lifting of the age pension eligibility age to 67 years will automatically raise the limit under the Victorian WorkCover Insurance Scheme, this will not cover older workers who are above the pension age, regardless of whether it is 65 years or 67 years.

Increasing workforce participation of older workers to combat skills shortages will require a regulatory environment that maximises the incentive for businesses to retain and acquire workers aged up to and beyond 65 years. The current age limitation of the Victorian WorkCover Insurance Scheme is a barrier, and simply increasing the limit will potentially increase the risks involved and employer liabilities. Addressing concerns over 'who pays' to insure workers above the retirement age, will require a balance between the risks and benefits of employing older workers.

Another issue associated with an ageing workforce and an older employee's capability and capacity to continue to work, is their general health status, including physical, mental and psychological. Occupational Health and Safety (OH&S) has long focused primarily on safety with 'tangible' processes and operations within workplaces. The reality is that achieving an increase in older worker participation will require consideration of potential increased risks associated with an employee's general health, which can create a complex set of challenges. There is potential for this to be addressed through further investigation on employee health and well-being and its impact on workplace efficiency.

An honest and rigorous approach to assessing older workers capacity needs to be considered. Research indicates that people over 50 years are very concerned about their health not inhibiting their ability to continue work and social activities. Given this situation, it is likely that older workers would accept taking proportional responsibility for their health and well-being in the workplace, within an employer's risk-management framework.

WorkSafe has become increasingly concerned about the rising level of claims by older workers, which predominantly involve soft tissue injury and often result in prolonged absence from the workplace. Given the potential increase in the decade ahead of older workers, it may become necessary to consider new approaches.

The policy focus needs to take current industrial and workplace safety practices beyond just the physical aspects of workplace safety, and take greater account of the 'health' in occupational health and safety. An option for

¹⁴ Australian Bureau of Statistics (2009), Catalogue No. 6202.0, Labour Force, Australia, September 2009. Table 01: Labour force status by Social marital status, Age and Sex

¹⁵ Gill, S., Butterworth, P., and Rodgers, B. (2005), Retirement and health in the Australian population: Findings from nation-wide studies. 9th Australian Institute of Family Studies Conference, Melbourne

¹⁶ Skills Victoria (2008), Securing Jobs for Your Future - Skills for Victoria

¹⁷ Accident Compensation Act 1985, Part 1. Preliminary, Section 5 Definitions, pg. 28

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assessing the health of older workers is a Functional Capacity Evaluation. The cost should be shared by WorkSafe, Government and to a lesser degree, business. A greater recognition of the impact of general health on the workplace will result in the behavioural change that is needed to create sustainable workforces into the future. The way in which business maintains the skills of its employees in the face of an ageing workforce will see workplaces of the future increasingly rely on collaborative practices and processes that combine informal and formal learning techniques. Organisations will need to become learning institutions, and will require greater collaboration between business and education and training providers. Older worker apprehension of formal learning, the speed of technological change, accompanying skill requirements, and increasingly specialised business processes, will drive this need for change. Organisations should adopt the lifelong learning focus, with employees taking greater responsibility for mapping their own careers and motivating themselves to achieve their goals.

WorkSafe research has raised a number of workplace safety concerns. One of these is the surprising disproportionate increase in claims by younger workers. Another is the increased incidence in stress and bullying related claims. WorkSafe has traditionally focused educational awareness campaigns on accident prevention, while more recently it has focused on the roles and responsibilities of individual workers and supervisors. The increased incidence of stress and bullying are often a result of difficulties in the relationship between managers and staff. As industry responds to changes over the decade ahead it will bring about revised business models that will potentially exacerbate issues linked to performance management and management practice.

However, there has been considerable research into future management needs. For instance, the Innovation and Business Skills Australia Industry Skills Councils 'Incorporation of Manager 2020 Principles', and other reports have identified management development priorities, which include:

- Global business awareness.
- Talent management.
- Stakeholder and customer expectations.
- Employee engagement and retention.
- Technology, information and infrastructure.

Underpinning the issue of workforce demographic change and the sustainability of the workforce of the future, is leadership. If we are to sustain viable, productive, healthy

and happy workplaces, then management training needs to incorporate leadership qualities. It is within this context that the responsibilities of the manager in regards to OH&S, discrimination and WorkCover are developed through a review of business training packages and related Higher Education qualifications. Business manager skills must include people management, skill development, and include human resource responsibilities that are directly linked to ensuring workplace regulatory compliance. In developing management skills to appropriately focus on employee engagement and retention issues one would expect the incidence of stress, bullying and related claims to reduce over time.

CHANGING SOCIAL VALUES

The global recession is having a dramatic impact in many ways, but foremost it is a reminder that the Australian economy is now well and truly a global one. In many senses it also proved to be a benefit in terms of our strong trade links, with China importing more goods from Australia in the 12 months to August this year, than in the 12 months prior to the collapse of Lehman Brothers in September 2008.¹⁸ The ongoing demand for commodities and resources helped stave off a dramatic decline in our own growth performance, with Australia recording only one quarter of negative growth.

The unemployment rate did however increase from 3.9 per cent at September 2007 to 5.8 per cent in September 2009. While there is debate over whether this means Australia was in recession, it is a moot point to those who have borne the brunt of the economic downturn. Employers have learnt the lesson from the last recession, having just experienced a skills crisis in the midst of the lowest unemployment levels since the 1960's. Results from VECCI's Survey of Business Trends and Prospects supports anecdotal evidence that indicates that employers embraced a range of flexible solutions to reduce costs and maintain business viability, including reducing inventories, restructuring work arrangements, and shortening working weeks.

However, there has been concern in Australia as well as around the world of what has been seen as inappropriate corporate behaviour. It needs to be acknowledged that there is a tarnished image and branding of large businesses in Australia around governance, remuneration and bonus structures, and the provision of 'golden parachutes'.

The Australian Government has responded to public concern by initiating a range of reviews including the COAG reform of national financial regulation, an executive pay

¹⁸ Australian Bureau of Statistics (2009), Catalogue No. 5368.0, International Trade in Goods and Services, Australia, August 2009

review by the Productivity Commission, a corporate governance review by APRA, as well as examining stock market operations (e.g. supervision and short selling). However, any changes to corporate governance need to be appropriate, and not create barriers to business or employment growth. Changes should ensure fundamental principles of competition are maintained, but equally that there is a return to the company on the investment in executive compensation, and that it is responsive to duties of care to shareholders, company employees, customers and suppliers. The Task Group is supportive of initiatives that ensure the Australian financial system remains an international leader in integrity and governance.

VECCI supports business excellence principles that encourage business to assess their behaviours against the following pillars: performance, governance, sustainability, human capital and corporate social responsibility. The uptake of business excellence principles has led to the emergence of social inclusion policies and strategies over the last two years and have entrenched corporate social responsibility (CSR) in mainstream corporate thinking. However, more needs to be done to encourage business to extend their involvement in CSR activities.

We know from previous economic downturns that the level of long term unemployment can become entrenched and for many it is a struggle to regain employment despite the inevitable economic recovery. While Australia and Victoria have emerged from the economic downturn in much better shape than other OECD countries, we have to ensure that disadvantaged job seekers are supported. This is where industry and government can work together to promote employer participation in CSR activities which provide support, experience and training opportunities for those disadvantaged in the community. For employers this is integral to maintaining a skilled workforce in the years ahead.

As the population ages, the demand for greater workplace flexibility to meet work-life balance will increase. This will be due to older employees seeking to stay in the workforce for longer to meet retirement income needs, and by employers needing to retain skills and knowledge. The result will be longer transition periods from full-time employment to retirement. There will also be greater demand from younger workers to balance work with caring responsibilities, not only of their own children, but increasingly of older family members. With 41 per cent of Australians balancing care giving with work, and with that rate only likely to increase between now and 2025, employers will need to consider

how they develop further flexibility in the workplace that will meet the needs of all categories of workers. This will be a challenge, considering only 15 per cent of workers currently utilise flexible work arrangements to balance care giving and work.¹⁹

As Australia's birth rate increases, greater focus has been placed on child rearing, and the desire of many parents to balance caring needs with ongoing employment and also maintain the family income. As Australia seeks measures that increase workforce participation, a key area is assisting mothers to return to work. A move from a baby bonus to a parenting payment is an approach that would better meet the needs of female workers who also want to return to the workforce. There are a range of private sector maternity leave models in place that will be useful in guiding how both Governments and employers develop solutions that support young families and maintain skills in the workplace.

While support is needed for young families, measures are also needed to ensure older workers make the most of any additional time in the workforce. Key issues around health and capacity have been discussed. However the issue of retirement incomes for retirees remains an area of concern. The National Seniors Australia Report, "My Generation: Are Australian Baby Boomers the Retiring Kind?" indicates that many baby boomers are concerned with having sufficient income from superannuation and/or the aged pension. This problem is also compounded for women and low-income groups where only 32.3 per cent of women aged 45-54 years had accumulated balances above \$50,000, compared to 53.6 per cent of men of the same age that had accumulated balances above \$50,000.²⁰

The youngest baby boomers have turned 45 years old this year and need to be encouraged to contribute more to superannuation over the next decade to accelerate their saving levels. This is of particular concern, given that 36.6 per cent of 45-54 year olds rely solely on employer contributions. Superannuation savings rates are also of concern when one considers that "of all people aged 45 years and over who intend to retire from the labour force, 43% reported that their expected main source of income at retirement would be income from superannuation, an annuity, or an allocated pension."²¹ Securing greater levels of retirement income savings can be achieved by lifting the overall superannuation contribution level by introducing, and progressively increasing, personal contributions. This should be achieved either through co-contributions or tax incentives, but must ensure that women and those in

¹⁹ Australian Bureau of Statistics (2008), Catalogue No. 6361.0, Employment Arrangements, Retirement and Superannuation, Australia, April to July 2007 (Re-issue)

²⁰ Australian Bureau of Statistics (2008), Catalogue No. 6361.0, Employment Arrangements, Retirement and Superannuation, Australia, April to July 2007 (Re-issue)

²¹ Australian Bureau of Statistics (2008), Catalogue No. 6361.0, Employment Arrangements, Retirement and Superannuation, Australia, April to July 2007 (Re-issue)

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low-income brackets, are not effectively penalised. Melbourne is undergoing a rapid increase in population that will see the city exceed 4 million residents by the end of 2009. This rapid growth, combined with a long term ageing trend, will pose its own unique set of challenges. The changing social values towards the environment and corporate behaviour place new obligations on how business responds to community expectations.

THE IMPACT OF TECHNOLOGY

The pace of technological change is increasing, with new innovations and advances quickly introduced into the market, offering new tools and ever faster ways of doing business. However, this also creates additional pressure for business and workers as they grapple with the latest software, devices and machinery.

While technological advancements in desktop applications in office environments, hand held devices for business and personal use, and new industrial processes will drive improved productivity, it will in turn require raising worker skill levels to ensure that potential productivity gains are actually achieved.

These advances will impact on behaviours, societal expectations and commercialisation opportunities. Already, many managers and workers feel overwhelmed with information and are challenged by the need to make the best use of the technology. The rapid expansion of social media is a case in point; employers need to balance how employee and customer take up of this new media can be managed alongside maintaining workplace productivity and efficiency. However, the upside for many workplaces is that new technology will aid workplace flexibility and further enable those with parenting responsibilities to take up opportunities for part-time work, job sharing, working from home and supported leave structures.

A key challenge will be accommodating the changing capacity of the workforce as it ages, while still ensuring it is productive. The greater use of technology, which in turn requires greater skill levels, will be one option of maintaining worker productivity. However, in other cases, modified work practices will be necessary to ensure the health and safety of older workers in the workplace. This will have implications for the way workers compensation and related regulations are structured and implemented.

In addition, industry needs to ensure that it is not only adaptable to emerging technologies but is also maximising

productivity from existing levels of technology. Recent data indicates that only 36 per cent of business have a web presence, and only 24 per cent utilise e-commerce to receive orders for products or services.²² While not every operation is suited to online transactions, these figures do indicate that while technological change can offer opportunities for innovation, there is potential to make better use of existing technological capacities.

Adjusting to a low-carbon, competitive economy will require new skills across a range of occupations and industries. This will not only affect those in energy production and supply, and energy intensive industries, but will also affect those down the supply chain including local industries and retail businesses. This will require two types of skill development strategies; the first is ensuring existing and new skills are in place in time to operate and maintain new technologies, materials and practices, and the second is ensuring appropriate skills are in place to maintain carbon management and reporting systems.

Practical 'green' skills are currently being embedded in units of competencies in training packages, to upgrade the skills

A GLIMPSE OF TOMORROW'S WORKPLACE...

A last minute call from the client means that radical changes are needed to the design. The Australian-based account manager, John, must liaise with the design manager in New Delhi, and the manufacturing team in Shanghai to meet the Indonesian client's deadline.

At 5.30pm John is at his desk, in the middle of a video conversation with Indira, in New Delhi, and Leu, in Shanghai discussing last minute changes to the product run. The voice conversation is translated in real time between English, Hindi and Mandarin, as all three mark-up a shared blueprint image on their linked ubiquitous desk surfaces.

Meanwhile, the carbon sidebar calculates emission rates for the various production options considered, and whether it meets the client's emission permit purchasing budget.

The Australian firm has changed a lot in the space of 16 years, from supplying parts to a medium level manufacturing and assembly firm in Melbourne's southeast, to having a sophisticated network of clients and a production and design chain around the globe. The company has taken advantage of Australia's world-class education system to recruit engineers, and professional service graduates to diversify its product and client base, and link into markets around the world.

²² Australian Bureau of Statistics (2008), Catalogue No. 8129.0, Business use of Information Technology, 2007-08

of trade apprentices and other vocational occupations. However, there is potential to establish accredited qualifications and professional accreditation for those providing sustainability and carbon management advice to business, consumers and other organisations. Professional accreditation could be modeled on the financial services tiered accreditation system, or through a professional licensing system, similar to trade licensing arrangements.

SECONDARY, VOCATIONAL AND HIGHER EDUCATION REFORM

Addressing the challenges of globalisation and diversity, demographic change, changing technology, and even changing social values, will require a well resourced and responsive education system. From early childhood to secondary education, and vocational to higher education, we need to ensure that young people are engaged and gaining skills that are aligned to future workforce needs. This will not only meet the needs of industry, but also reduce the risk of workforce and social detachment. The key will be overcoming equity barriers to post-compulsory education, and ensuring that education pathways engage students' interests, rather than just relying on compulsion.

Meeting the skill needs of the existing and future workforce will require reform and more holistic and sophisticated ways of thinking and interaction between the education sector, industry and Governments to balance the demands of students as well as the needs of industry. The greatest challenge is increasing the accessibility and relevance of Vocational Education and Higher Education to existing workers to increase the proportion of workers with post-compulsory qualifications and meet new skill demands, such as for transitioning to a sustainable and carbon conscious world.

Australia has commenced developing a national curriculum for the secondary education sector. This initiative is long overdue and will not only provide practical benefit for mobile Australian families that move across states borders, but ensure consistency, national standards and school performance measurability and comparison.

However, the immediate challenge over the decade ahead is to ensure that students are able to achieve key literacy and numeracy skills within the current curriculum. Victoria, like Australia generally, must improve its performance across the range of international assessment measures in reading, mathematics and science. It is crucial that the curriculum framework engages students to achieve the 90 per cent

Year 12 or equivalent retention target by 2020. At the same time, more students need to be enrolled and excel in higher level mathematics and science. This is crucial to increasing enrolments in engineering and science related programs in Vocational and Higher Education, which is vital to meet current and future critical skill needs.

As part of its response to the Bradley Review of Higher Education, the Australian Government has set a target to increase the proportion of 25 to 34 year olds with a bachelor degree or higher qualification from 32 per cent to 40 per cent by 2025, which is approximately an extra 217,000 graduates.²³ The Australian Government has also agreed to uncap enrolments from 2012, to allow universities to expand.

To meet Victoria's economic needs, and to compensate for lower participation rates in the other states, Professor Kwong Lee Dow has argued that Victoria will need to achieve a target of about 46.5 per cent, up from today's 34 per cent.²⁴ The Higher Education sector's response will need to ensure that it cultivates greater links with Vocational Education providers, those from disadvantaged backgrounds, and those in the workforce. Strategies will require both increasing access and ensuring higher rates of completions. However, this process will require support from Government, and the involvement of industry to be successful and meaningful.

Knowledge-based societies are dependent on innovation, continuing development in technologies and world's best practice. The key recommendation of the Cutler Review, to achieve a 20 per cent increase in the number of businesses undertaking R&D by 2020, is a challenging target.²⁵ For this to be achieved in Victoria, the State Government must review support for industry R&D. This support needs to encourage employers to engage with universities to develop research partnerships that focus on the potential commercialisation of new technologies or processes. This is particularly critical where wider social and economic benefits can be gained.²⁶

The Bradley Review also argues that a closer connection between Higher Education and the Vocational Education sectors is vital for Australia's future skill needs. These sectors predominantly operate separately and will need greater integration, linkages and articulation to ensure graduates of both sectors have valued employability skills to make them more work-ready.

²³ Bradley, D. (2008), Review of Australian Higher Education, December 2008

²⁴ Expert Panel on Victoria's Tertiary Education Plan, Melton Consultation, August 2009

²⁵ Cutler, T. (2008), Venturous Australia: Building Strength in Innovation

²⁶ Productivity Commission (2009), Productivity Commission submission to the House of Representatives Standing Committee on Economics - Inquiry into Raising the Level of Productivity Growth in the Australian Economy

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Another key issue is how to address the up-skilling needs of existing 'tradesmen'. It was stated in one consultation that existing trade qualified workers do not necessarily aspire to undertake Higher Education pathway options. Existing diploma and advanced diplomas likewise do not provide the options necessarily sought or required by industry. To ensure the relevance of training and education, there is potential to establish a higher-level post-certificate IV (AQF level IV) qualification to create a class of 'master apprentices'. This option would not limit tradesmen to the less relevant Higher Education path designed for an academic style of learning and delivery. The German 'master craftsman' model offers some guidance. In the context of bringing the Vocational and Higher Education systems closer together, a new qualification pathway could provide the linkage between the two systems.

Another issue raised in consultations has been the value placed on traditional trade apprenticeships. This had also been raised in both the 2005 and 2007 VECCI Summit consultations. Employers are concerned about the level of interest in traditional trades by school students and feel that Higher Education is promoted as a path for successful students, and vocational options are for at-risk students. There is also concern that current models of vocational

programs in schools do not support take up in traditional trade options. Consideration needs to be given to how these pathway options are presented in schools and how to promote the importance of these occupations in addressing industry skill needs.

There are also concerns raised by a number of employers regarding the value and accessibility of accredited training and qualifications. These include large businesses in the retail and finance sectors and a large manufacturer. These employers have stopped using certificate III level qualifications, and returned to an in-house, non-accredited training model. The key reason cited is that government supported training requires the completion of a full qualification, whereas the workplace need is only for specific competencies to meet key job or project requirements. The additional units that have to be delivered generally only become relevant once employees have progressed in experience and/or responsibility. The key issue is how to achieve greater flexibility in funding support to meet skill needs on an 'in-time' basis.

RECOMMENDATIONS

The Workplace Futures Task Group has considered the range of views provided by employers and other stakeholders on what can be done today and in the medium term to create the workplace of the future. The Task Group has a range of recommendations for reform and issues to be considered for further investigation.

To ensure that Victorian business remains globally competitive we recommend:

- The Victorian Government funds a grant program that assists universities to work with industry to provide R&D opportunities for undergraduate, masters and postgraduate students to provide essential industry experience and encourage increased business-led R&D.
- The Victorian and Australian Governments jointly fund employer and industry organisations and universities to establish and coordinate undergraduate and postgraduate integrated learning experiences which align with their chosen degree. This will enable students to develop professional skills and links with industry, as well as provide an opportunity to apply their studies to real world experiences. In addition, it will enhance linkages between employers and universities.
- The Victorian Government, in coordination with the Australian Government and the university sector, to evaluate the potential for the overseas student market to be utilised to meet current and future skill and labour needs. Specifically Governments should:
 - Work with industry to ensure that overseas undergraduate and postgraduate students' are also engaged in integrated learning experiences.
 - Increase the ratio of postgraduate research in overseas student enrolments.
 - Establish alumni associations for overseas students that have returned to their home countries, to promote opportunities for further study or work in Australia, as well as providing a network for trade and cultural connections.
 - Improve local employment opportunities for graduated overseas students by ensuring visa point systems recognise integrated learning experiences or other industry-related research or work experience. Temporary visas should be of a sufficient duration to

be practical and attractive for employers, and be consistent with permanent visa requirements to provide a realistic path to permanent residency.

To meet the challenge of demographic change and the ageing of the workforce we recommend:

- The Victorian Government provides additional business support to assess existing worker higher-level skill needs, with a priority for traditional trades in skill shortage occupations, as well as green skill requirements.
- Industry, Vocational Education providers, and universities review existing traditional training models and consider developing a new qualification above AQF IV, distinct from university degrees and diplomas, which lead to recognition as a ‘master tradesman’.
- The Victorian Government considers a population study that builds on previous research on the State’s growth. The study should focus on growth area boundaries, demand for housing, future growth regions, appropriate infrastructure and provision for industrial expansion. The study should also be inclusive of industry skill requirements with appropriate access to education and training providers.
- The Victorian Government considers reform options that raise or eliminate the workers compensation age limit. These options should seek to encourage workforce retention of older workers and address any unique risks associated with such workers, while minimising any potential increase in employer liability.
- The Victorian Government provides additional funding to: conduct work-health research, including the health and safety implications of an older workforce; increase health checks; deliver health-related awareness campaigns; and support active lifestyles.

To respond to the various challenges posed by changing social values we recommend:

- The Victorian Government work with industry to identify and promote best practice models of workplace flexibility that address the needs of a workforce with changing personal responsibilities, including caring for children, ageing relatives, or older workers requiring flexible hours.

- The Victorian Government work with industry to promote employer involvement in corporate social responsibility activities, including employer activities that promote opportunities for economically and socially disadvantaged community members.
- The Victorian and Australian Governments fund parental leave in a manner that complements existing industry models.
- The Australian Government lifts superannuation contributions to 15 per cent through individual contributions by 2020. Incentives and support are provided to ensure low-income earners and other groups with low rates of accumulation increase their rate and level of contributions.

To respond to the various challenges posed by changing technology we recommend:

- Establishing a professional accreditation system for sustainability and carbon management advisers. A system could be modeled on the financial services tiered accreditation system, or a professional licensing system, similar to trade licensing arrangements.
- The Victorian Government extends its support for Workforce Development initiatives that support business, particularly SMEs, to undertake analysis to plan for current and future skill requirements. This should also ensure that business can adapt to emerging technologies as well as maximise productivity from existing technology.
- The Victorian Government considers flexible funding options to meet acute employer skill needs that can be satisfied by unit of competency specific training.

NOTES

^a If we are to achieve the Australian Government’s target of 40 per cent of 25-34 year olds with a Higher Education qualification by 2025.
^b The federal government is injecting significant new money into the sector to support its target of increasing the proportion of 25 to 34-year-olds with a bachelor degree or higher qualification from 32 per cent to 40 per cent by 2025.
^c These areas of study align with the Australian Governments Critical Skills List (March 2009).

This paper was prepared by the Victorian Employers’ Chamber of Commerce and Industry (VECCI). The opinions, findings, conclusions and recommendations expressed herein do not necessarily reflect VECCI policy or the views of those persons or parties that have contributed to the paper. While VECCI has endeavoured to provide accurate and reliable research and analysis, it will not be held liable for any claim by any party utilising this information.