

LIFELONG LEARNING



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LIFELONG LEARNING



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overview

NICK DIMOPOULOS is Chief Financial Officer for the Committee for Economic Development of Australia (CEDA). Nick has an extensive background in the areas of financial management, business strategy, economics research and risk management. He has worked in the private and public sectors and has held senior executive positions in the Victorian Treasury, AWB Ltd and BHP and has overseen major research projects, the most recent being *Water and the Australian Economy*, which have contributed to shaping policy settings concerning Australia's future economic development.

Objectives of this report

Australia's labour market is currently experiencing two great long-term shifts. The first is a pronounced change in the *supply* of labour. The demographically over-represented "baby-boom" generation is growing older. As this generation reaches retirement age, labour force growth will slow – and as a proportion of the population, the labour force will begin to shrink. Without other changes to the economy, per-capita GDP growth will also fall.

The second shift is a change in the nature of *demand* for labour. In the model that dominated the twentieth century, most Australians spent a major part of their careers applying expertise acquired in a relatively short time before or at the start of their working lives. In the model that has begun to emerge in recent years, a higher proportion of working Australians will have stronger incentives to learn new skills and enter new areas of learning throughout their lives.

Australia can respond to both shifts by increasing the labour force participation of mature-age people. But to achieve this, it must ensure mature-age employees can acquire updated and current skills. And Australians, young and old, will benefit more than in the past from an increased ability to learn those skills. So Australia faces a great economic challenge: to enable workers to continue learning through their lifetime – "lifelong learning".

In this collection of essays we examine current policy settings and practices, and identify the changes and responses necessary within governments, the education sector, businesses and individuals to ensure more effective lifelong learning. In this publication we investigate how lifelong learning can be accessed and delivered so that individuals remain appropriately skilled to participate effectively and productively in the workforce, thereby raising levels of labour force participation and economic growth, and individual work satisfaction.

Introduction: Redefine our education model

Earlier work by CEDA and others on inter-generational change has identified increased workforce participation as a critical factor in raising productivity in order to maintain economic growth as the population ages. Effective lifelong learning will be a vital component of strategies to increase the workforce participation of mature-age employees.

Professor Louise Rolland outlines how the age profile of the workforce will change significantly as the population ages. For example, in the late 1980s people aged under 45 years made up 76 per cent of the labour market. By 2000 this had fallen to 69 per cent. By 2016, projections say, people under the age of 45 will make up just 58 per cent of the labour market. This projected shift in labour supply reflects the lack of growth in the supply of young entrants to the labour market, with those aged between 15 and 24 years having declined from 27 per cent of the labour market in the late 1980s to 19 per cent in 2000. Against this background of changing demographics Rolland argues that employers can no longer rely on young people to replenish the skills and knowledge of their workforce.

Mature-age employees are currently under-represented in Australia's workforce, with workforce participation rates dropping markedly over the age of 45, particularly for males. Therefore, strategies to increase mature-age workforce participation will be important in reducing labour shortages and increasing productivity. While the full impact of inter-generational change will take some years to be felt, strategies to ensure that mature-age workforce participation increases need to be planned and implemented now.

A critical challenge is the low level of formal training provided to people aged over 45 years. If people do not have the appropriate skills they will be much less likely to participate productively and effectively in the workforce. Rolland points to ABS 2001 census data that shows that only 3.5 per cent of people aged 45–64 undertook formal study or training, compared with 56 per cent of people aged 15–24 years. Furthermore, analysis has revealed that there is also a dramatic decline in employer investment in training as employees age. People over 45 years of age receive the lowest levels of employer-supported training.

There are multiple reasons for this low investment in education and training for mature-age people. These include entrenched cultural views, the capacity of current

systems to identify, respond and track the development needs of mature-age workers, and incentives for participation. Rolland argues that all partners – government, business, the education sector and individuals – need to play their part in ensuring that lifelong learning is practised more effectively. In particular, government and the education sector need to establish new models to increase the accessibility and effectiveness of lifelong learning. We must start by establishing the right building blocks in schools, and recognise that incremental learning and re-skilling in VET and Higher Education institutions must receive higher priority. We need a system that is designed to support retraining and multiple careers for workers.

Many employers will also need to re-examine their attitudes to the training, retraining and employment of older workers. Learning models that have been effective for younger employees may not be so effective for

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mature-age employees. In particular, employers will need to understand the motivators of older workers to get the best results.

Individuals must also play a role, taking more responsibility for their own lifelong learning. This will require an understanding of the impediments individuals face and incentives that may be necessary. Increased economic literacy will help individuals understand the value of investment in further learning, and the risks of early retirement from the workforce. In particular, there needs to be a cultural shift from the entrenched life-cycle mindset that sees a one-way path from full-time education to full-time work to full-time retirement.

Rolland calls for a fundamental shift that redefines the

current model of our life stages, defined by education in our youth, work in our “prime” age and leisure in our old age, to better combine learning, work and leisure across adult life.

Recent Australian vocational education and training reforms fall short

In the last two decades there have been two major efforts to reshape the training–work interface. First, during the 1980s the National Training Reform Agenda was established with a national standards framework, national recognition of training, and competency standards across a range of qualifications and occupations. Subsequently, during the 1990s the focus of policy moved to the development of a more flexible and decentralised training market. Dr John Buchanan argues that despite these reforms, the reality of lifelong learning in contemporary Australia is far from ideal. An overview of the lessons, successes and failures from these major programs is instructive when considering further change.

Buchanan examines the reforms to Australian vocational education and training (VET). He outlines how, since the mid-1980s, these have moved through two distinct phases. The first phase moved away from a system of “front-end” training, especially apprentices for the trades, to a system based on competencies open to all at any stage of their working life. Since the early 1990s the second and very different phase has stressed the need

Buchanan advocates that if lifelong learning is to become more accessible and better delivered, policy needs to grapple with the broader notion of “workforce development” and take into account how skill ecosystems are changing.

for a “training market” and establishment of a VET system that is “employer-led”. Buchanan contends that while the reforms have resulted in some improvements, skill shortage problems continue to persist, and many employers find the system overly complex.

Buchanan advocates that if lifelong learning is to become more accessible and better delivered, policy needs to grapple with the broader notion of “workforce development” and take into account how skill ecosystems are changing. In other words, this “workforce development” implies not only the need to improve the access of workers to the kinds of training that they want and that employers

say they need, but also the *development of the jobs in which workers work*. This comprehensive concept of workforce development can ensure that policy supports not just training, but the facilitation of sustainable skill ecosystems.

Vocational education: Look beyond the entry level

The vocational educational system serves entry-level employees, as well as the continuing training needs of business and employees. However, the VET system still focuses heavily on entry-level training. Different structures, delivery systems and training programs are required for lifelong learning, and for the increased need to re-skill mature-age employees.

Paul Byrne, acting CEO of ANTA, points out that learning strategies for mature-age employees will vary from those that are most effective for entry-level training. Learning styles may differ, shorter modular programs are preferred, and basic computer literacy may need to be upgraded. Learning strategies must be tailored to meet the needs of different learning segments – in 2000 ANTA identified eight. In particular, the needs of employees already in work will differ from those that are unemployed or in obsolescent industry sectors.

It is vital that education and training systems are responsive to changing industry needs. A full understanding of industry’s changing skill requirements is critical to enable training authorities and providers to anticipate trends, and change policy or intervene ahead of time, so as to minimise skill shortages in the future. Approval processes must be responsive and timely.

Challenges will increase for the VET sector to provide programs and qualifications that are relevant for both current and emerging needs, particularly with the accelerating pace of change. Increased workforce participation by mature-age employees will require individuals to go through a number of career changes, and in some cases progress from employment to self-employment. The VET sector needs to respond to these transitional training needs, building on prior knowledge and addressing gaps.

Byrne argues that over the last decade, much has been done to shape a VET system that has the capacity to respond to the changing nature of work and an ageing population. However, more still needs to be done to achieve a streamlined system and to strike the right balance in serving the needs of industry and learners. In recognition of the need for more coordination and collaboration between government, industry and training sectors, the path is being laid for further flexibility in the VET system, while ensuring that all players are working within a national framework. Byrne contends that these changes should provide for greater access to multiple learning pathways, greater recognition of experience and skills already acquired, and a deeper appreciation of the benefits of lifelong learning.

Build a comprehensive national workforce development strategy

If lifelong learning is to be effective in increasing the workforce participation levels of mature-age employees, and in upgrading skills and productivity, then new resources need to be found. It is important that lifelong learning strategies address not just the quantity of learning, but also the quality.

Business is enthusiastic with the establishment of contemporary and publicly understood “world-class” standards for higher education and VET qualifications. Also, there needs to be further consideration given to the role that business can play in assisting the higher education and VET sectors to achieve the highest quality and standards.

Peter Noonan has put the view that there is a case for increased public and private investment in VET, noting that the combined expenditure by the Commonwealth and state governments has been virtually static since 1997.

Currently, business under-invests in the training of mature-age employees. In this respect, Noonan argues that firms cannot be expected to bear the costs of workforce retraining alone, and firms, as well as individuals, need to be given incentives to participate in lifelong learning initiatives.

However, in the absence of additional funding, priorities need to be set and outcomes need to be more effective. Noonan argues that without a focused and

Noonan argues that without a focused and coordinated strategy between the Commonwealth and State governments, with the active involvement of industry, opportunities for further learning are not likely to be extended to those with the greatest learning needs ...

coordinated strategy between the Commonwealth and state governments, with the active involvement of industry, opportunities for further learning are not likely to be extended to those with the greatest learning needs who tend to have the lowest levels of participation in formal and work-based learning. Tacit knowledge forms an important component of lifelong learning, but this can only be effectively acquired in informal settings in the workplace, an avenue denied to the unemployed.

From a policy perspective, Noonan makes the case that a comprehensive, national workforce development strategy must replace the current lifelong learning culture that has characterised approaches in Australia over the past decade. The strategy must set clear targets and incorporate key elements, such as increased and ongoing work-based learning, increased community-based learning, recognition of prior learning, and targeted outcomes-based funding to those with the greatest learning needs.

Equip workers to learn early

John Spierings contends that Australia still lacks an integrated national policy to encourage, finance, provide and reward learning across all the stages of life. Policy debate in Australia has tended to focus on the mechanics of educational provision and “input” issues, rather than the larger purposes of education and learning, and the value of knowledge and skills to individual welfare, economic prosperity and the social capital of communities.

OECD data lends support to the argument that individuals should be motivated to seek further education as this leads to a payback in later increased earnings. In the Australian context this data particularly demonstrates the importance of Year 12 completion. However, Spierings points out that this motivator is less persuasive for mature-age employees who have less time to receive a wage increase payback for their learning investment.

Adult literacy is a particularly important pre-condition for the participation of older workers in further skill development, retraining, and personal development through formal learning. While Australia’s continuing improvement in raising secondary school participation is impressive, the proportion of 25–to–34-year-old Australians with below senior secondary qualifications fell from 43 per cent in 1991 to 27 per cent in 2002. In this respect, Spierings argues that we still have some way to go compared to other OECD countries. On this measure, Australia has moved from 25th in 1991 to 23rd of 30 countries in 2002. This demonstrates the relative pace at which countries are raising the foundation level of educational attainment of a significant demographic section of their populations.

To be truly competitive in a globalised economy, Australia needs to look beyond its rich lode of commodities to further develop the depth and ingenuity of its human skills, particularly by ensuring that a greater proportion of young people achieve a threshold Year 12 or equivalent qualification. Access Economics estimates that by moving the current Year 12 or equivalent completion rate from around 80 per cent of 15–24-year-olds to 90 per cent, this would have a substantial impact on economic growth. It would add about 1.1 per cent to GDP by 2040 by improving productivity and having a positive effect on labour-force participation. Access Economics says that to

gain a comparable GDP impact, Australia would need to increase its annual migration intake by an additional 5000 or 178,200 migrants over the period to 2040. Alternatively, achieving the same GDP impact would require increasing workforce participation of older workers by 6.6 per cent.

Changes required by the higher education sector

The higher education sector must establish contemporary and publicly understood “world-class” standards for qualifications, with delivery that is efficient and able to compete effectively in the international arena. The sector must ensure the relevance of course curriculum to business, reflecting both current and emerging needs.

Professional and management qualifications achieved early in a career will not guarantee that mature-age employees have current and updated knowledge and competencies throughout their working lives. The higher education sector should play a role in providing the lifelong learning needs of professionals and managers.

Pat McCarthy contends that while higher education in Australia has a track record of meeting the articulated needs of its young people and employer markets, it has not been successful in cultivating broader community acceptance that higher education should be a key contributor of lifelong learning. The higher education sector continues to respond to the needs of employers by mod-

Professional and management qualifications achieved early in a career will not guarantee that mature-age employees have current and updated knowledge and competencies throughout their working lives.

ifying courses and programs, but it has failed to successfully penetrate the mass market for lifelong learning. McCarthy provides a range of explanations, including the difficulties faced by industry in accurately articulating their requirements, and also inflexibilities in higher educational institutions. However, he identifies the greatest problem as the lack of knowledge about the resistance by individuals to higher education provided by lifelong learning.

The higher education sector has begun to experiment with different lifelong learning modes, such as modular-based curriculum, integration of non-traditional industry content with academic progress, new assessment practices and e-learning. However, McCarthy argues that a more holistic approach is necessary to effectively meet lifelong learning needs.

The role of school education

The school system provides the vital building blocks to ensure that the young are equipped for lifelong learning. School retention rates are therefore of the highest

Completing Year 12, or its equivalent, is the best long-term remedy against unemployment, and is the best predictor for enabling individuals to successfully navigate the many transitions they make during their life.

priority, as is the provision of essential generic capabilities. While the focus on raising mature-age participation in the workforce is important, encouraging participation across the entire population compounds the benefits. Completing Year 12, or its equivalent, is the best long-term remedy against unemployment, and is the best predictor for enabling individuals to successfully navigate the many transitions they make during their life. These include transitions from school to work, from job to job, from career to career, from unemployment to employment, from single person to parent, and from full-time work to semi-retirement.

Our schools must create the capacities for lifelong learning, adaptability and innovation. Education systems should develop a multitude of skills, including *academic* (revolving around literacy, numeracy, language, mathematics and so on), *employability* (revolving around communications, problem-solving, personal management, teamwork, computer, financial and economic literacy skills, and so on) and *occupation-specific skills*, to prepare people to participate fully and meaningfully in a rapidly changing economy.

Education and training systems must distinguish between cognitive, technical and behavioural capabilities, with the former two capabilities mainly developed by the education and VET system, and the latter through on the job training.

Adrian Beavis and Geoff Masters of ACER argue that the Australian world of work now requires, on average, higher levels of skill than it did ten or so years ago. From a policy perspective, since this trend is likely to continue, this reinforces the need for a lifelong learning orientation for all new entrants to the world of work. It is the view of the authors that the role of education in preparing for lifelong learning, beyond the basics of providing literacy and numeracy, is to provide students with the information and learning opportunities that will lead them to destinations in the world of work which best fit their interests and abilities. They argue that if people fit their jobs they are then more likely to be lifelong learners. The available evidence suggests that schools are already providing this learning and information.

International comparisons

In a number of overseas countries, particularly in Western Europe, the changes in the balance of supply and demand for labour will impact sooner than in Australia, and they will be more severe. Philip Taylor, of The University of Cambridge, describes a number of innovative European initiatives. Yet he concludes that European countries have not met targets for the employment of older workers or created a training system that responds to them. Instead, these countries have continued to focus on the learning and training needs of younger people. This resembles the experience in Australia to date. Taylor calls for a sharper focus on the learning needs of older people if governments are serious about extending the working lives of older workers.

Special section: Economic and financial literacy

There are some generic skills, including economic and financial literacy skills, that are essential for managing the many work-related transitions, including employment, self-employment and retirement decisions. These

Many individuals prematurely leave
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generic skills are becoming more important for our ageing workforce, who face multiple decisions about the work–life balance.

Many individuals prematurely leave the workforce due to insufficient knowledge about their future economic needs following retirement. Access to economic literacy education is essential.

An ANZ study on financial literacy in 2003 estimated that only 37 per cent of people had actually worked out how much they needed to save for retirement. The study calls for a number of measures to lift financial literacy in Australia. A key measure is the establishment of good basic economic and financial knowledge and skills in children, achieved by incorporating financial literacy into the existing school curriculum. This measure would address findings that the lowest level of financial literacy was most likely to be found in those aged between 16 and 20 years.

In its chapter, the Securities Institute of Australia points out that most literacy studies have found a positive correlation between financial planning and the achievement of specific goals. In the Institute's view, responsibility in coming years will rest with both government and financial industry practitioners to raise the understanding of retirement income needs.

INTRODUCTION:

the drivers for

AND IMPERATIVE OF

lifelong

learning

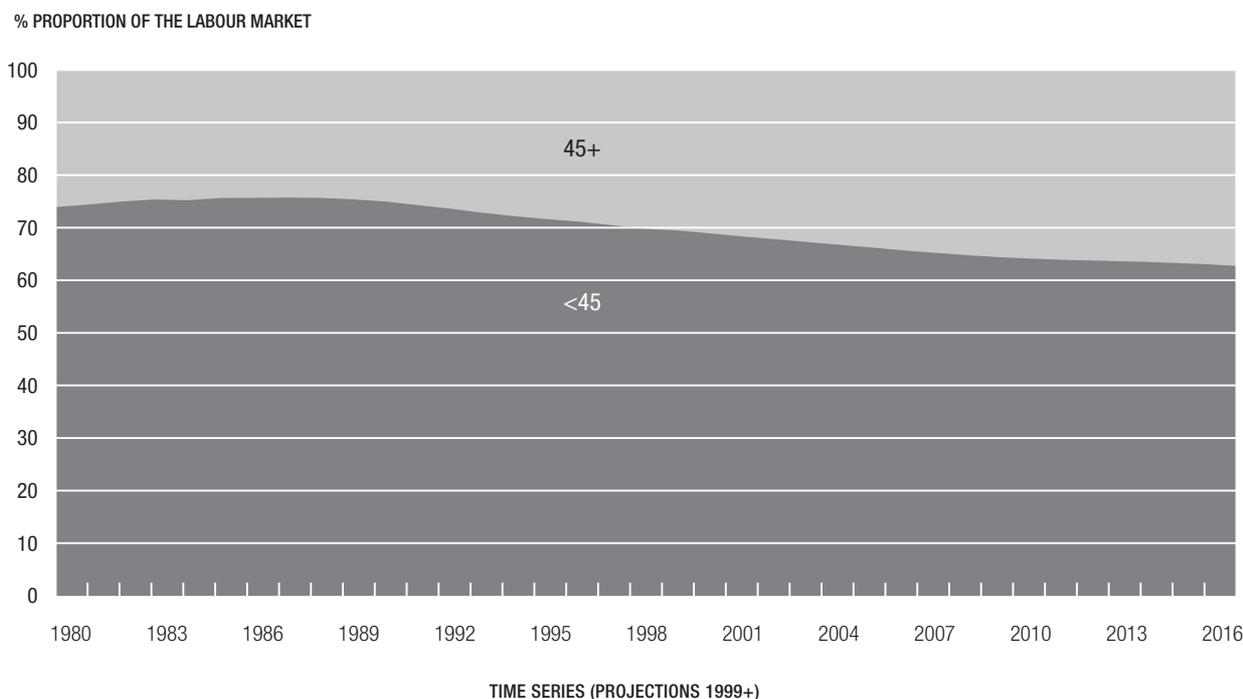
LOUISE ROLLAND

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LOUISE ROLLAND has a 20-year background in labour market policy, and planning and local and regional development. In 1997 she began actively researching and devising strategies to focus organisations and policymakers on the potential impact of population ageing on the sustainability of Australian business. In 1999 she established Business, Work and Ageing (BWA) to produce and promote information about the ageing of the workforce and its potential impact on Australian business, and to provide the necessary resources for business and government to respond to the challenges presented. She is now regarded for her leadership in this field. In recent years she has travelled extensively to promote Australia's work in overcoming this global challenge.

Louise's direction has seen BWA establish the BWA Centre for Research at Swinburne University of Technology and international research partnerships, including the University of Western Ontario, Canada, and the Cambridge University Interdisciplinary Centre on Ageing, UK. BWA also actively works with Australian businesses, facilitating and promoting age awareness and age management practice.

FIGURE 1.1
THE AUSTRALIAN LABOUR MARKET BY AGE



Source: ABS (1999) *Labour Force Projections*, ABS CAT NO: 6260.0

Introduction

Lifelong learning has been a focus of discussion among policymakers, across government, industry, and the education and training sector for over a decade. The drivers of the lifelong learning debate are the changing business and work environments and the shifting profile of labour and skills. The recognition of increasing skills shortages and the ageing of the population and workforce is escalating the need to more closely frame the relationship between lifelong learning and the currency and relevance of vocational skills across the life course.

Australia has an immediate need to address the structural imbalance between the skills of the existing and broader potential labour force and the demands of business. Facilitating the required change will require active policy that spans public- and private-sector interests. At the core, policy must build awareness of the drivers for change and the required shift in learning behaviour and outcomes. This includes significantly increasing the level of understanding among education and training providers of the changing environment. They must also be called upon to consider and build their capacity to attract and service people across the full spectrum of the working age population. Driving the change necessary at this level will require policy that sets

directions, allocates the resources to build awareness, as well as innovation in the design, targeting and delivery of education and training options that meet market

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requirements. Policy must also engage business in the identification, facilitation and resourcing of a continuous learning agenda within its industry sector and at the organisational level.

The demographic imperative

Traditionally, the common belief was that employers looked to young people for new technical skills and qualifications, as well as the opportunity to “mould them to

fit” the organisation, while older workers brought the skills and experience accumulated across a lifetime of work. There was an expectation that together the young and old would draw on and complement each other’s strengths to support an organisation to develop innovative and competitive products and services.

Today, however, the ageing of the population is resulting in a decreasing proportion of younger workers, which may force employers to consider the optimum mix of current technical skills and practical experience

Today, however, the ageing of the population is resulting in a decreasing proportion of younger workers, which may force employers to consider the optimum mix of current technical skills and practical experience required to sustain their businesses.

required to sustain their businesses. This, in turn, may lead to the increased need to develop ways to ensure that as workers age they have the capacity and opportunity to update their technical currency and to play a more active role on this side of the equation. In short, employers may find that they can no longer rely as heavily on young people to replenish the skills and knowledge of their workforce.

Australian Bureau of Statistics (ABS) labour force statistics show that the proportion of younger workers to older workers is steadily reducing. In the late 1980s, people under 45 years of age made up 76 per cent of the labour market and 27 per cent of those were aged between 15 and 24 years. By 2000, workers in the under 45 age group had fallen to 69 per cent, with those aged 15 to 24 years falling to 19 per cent. Projections estimate that people in the under 45 age group will fall by a further 11 per cent in just over a decade, so that by 2016 people under the age of 45 will make up 58 per cent of the labour market.

The changing environment

The erosion of the “lifetime” employment contract or “the career for life” as a result of the increasing pace of change in the business environment means that people are already and will be increasingly exposed to greater career changes across their working life.

The growth of the new economy in Australia has seen the rapid adoption of technology and other innovations,

resulting in an increasingly complex and changing competitive business environment. At the same time, the globalisation of markets has increased competitive pressures and added to the complexity of the business environment. These changes demand that people have current skills competency, regardless of their age.¹ Over the last two decades technology has fundamentally changed where and how people work. This makes technological literacy a must; it is a challenge when what we learn today is likely to be superseded in a matter of years.

Traditional jobs are either disappearing or being revamped with the implementation of new technologies. This is evident in the manufacturing sector where a process line today is likely to be heavily reliant on technology-based manufacturing systems. While traditional jobs are increasingly based on new technologies, the growth in the labour market is concentrated in the services sector.² The demand for low-skilled, labour-intensive work is becoming less frequent, with jobs in this category often casualised and insecure. In the new economy, “knowledge formation and knowledge distribution have become the most leveraged forms of production.”³

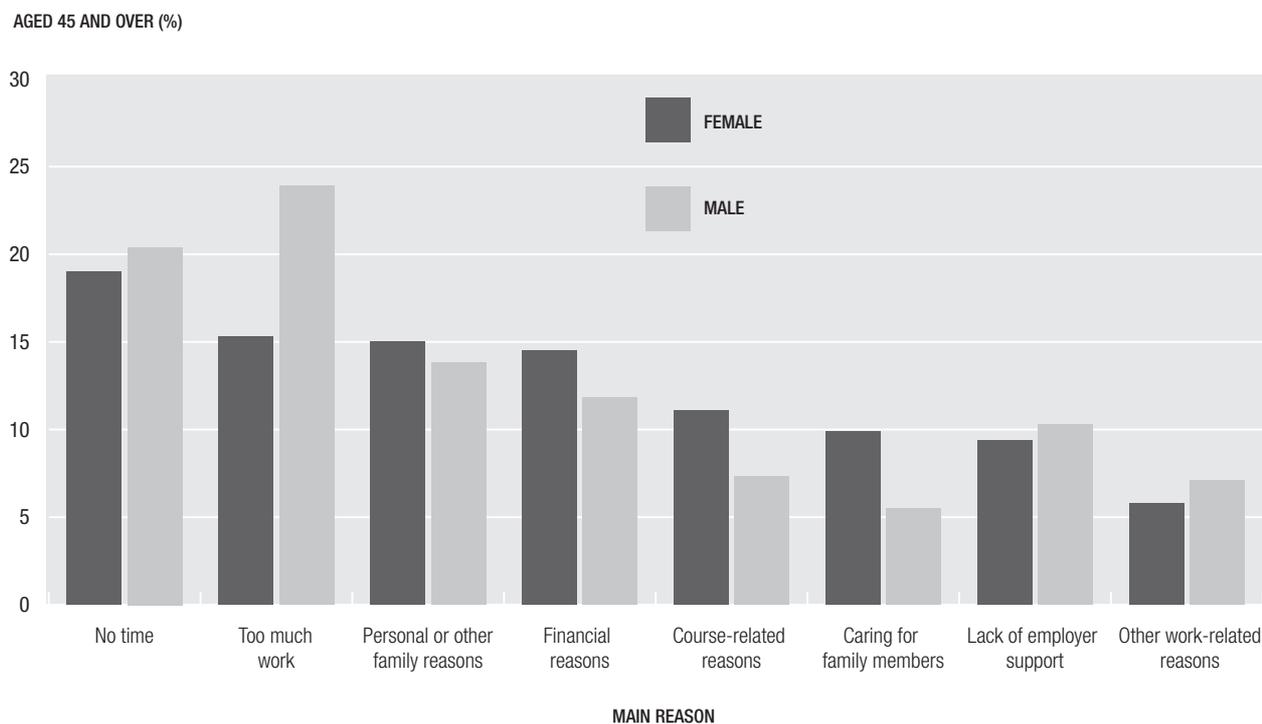
Not only is the nature of work changing, but the structure of work has also undergone significant changes over the past two decades with the move towards part-time and casual work, outsourcing, self-employment, portfolio work and the evolution of the role of intermediaries, such as

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labour hire firms in employment arrangements. These changes require new business management and negotiation skills on the part of individuals if they are to effectively compete in the labour market.

In the workplace, the skills and knowledge needed are not just changing but diversifying. As businesses have restructured and downsized over the last two decades organisational structures have become flatter. As a result, employers are increasingly looking for flexible workers who bring a breadth of skills and the capacity to apply them in a task-orientated and more self-directed manner. Increased importance is placed on communication skills, the ability to learn new processes and to approach

FIGURE 1.2
REASONS FOR NON-PARTICIPATION IN EDUCATION BY PEOPLE AGED 45+



Source: ABS (2001) *Survey of Education and Training*, ABS CAT NO: 6278.0

problem-solving in a way that will lead to new and innovative interpretations. Ongoing skills acquisition and development is fundamental to securing ongoing employment in this new labour market climate.

In this complex environment the value of past human capital, in terms of accumulated industry and business history and experience, is diminishing or becoming obsolete. Current education and training qualifications, however, can increase employability and job security.⁴

It is expected that as the demand for labour intensifies towards the end of this decade, and an increasing proportion of the workforce is concentrated in the 45 and over age group, workers will remain in work longer. They will take advantage of both the demand for their labour and the opportunity to consolidate their retirement savings.

However, research undertaken by Business, Work and Ageing at Swinburne University shows that skill acquisition through formal and informal training declines with age. This is due to a number of subtle and interrelated forces that must be addressed if people are to maintain their skill currency with age so that optimum productivity levels can be achieved.

Against this backdrop, ensuring that skills are current throughout a person's working life will be essential to maintaining active participation in the workforce. This

It is expected that as the demand for labour intensifies towards the end of this decade, and an increasing proportion of the workforce is concentrated in the 45 and over age group, workers will remain in work longer.

will require a commitment on behalf of the individual, their organisation and governments to ensure access to, and participation in, formal and informal learning that will result in an ongoing regime of skill development. The traditional formal period of study at the beginning of a working life will no longer sustain the relevant skills across a lifetime of work.

Age and learning

There is a lack of connection between the pace of change that drives organisations, the associated requirement for re-skilling and up-skilling, and the patterns of participation in learning and development among people at various ages. This can be attributed to both a cultural and structural lag in the take-up of vocationally oriented

The traditional formal period of study at the beginning of a working life will no longer sustain the relevant skills across a lifetime of work.

lifelong learning and a history of oversupply of labour. In this environment, organisations have had the ability to transform the skill profile of their workforce through renewal strategies that have included the continuing out-placement of older workers.

Today the older we are the less likely we are to participate in formal or informal learning opportunities. If we do undertake training it is more likely to be related to immediate skills required in our job rather than career development that will secure our continuing relevance into the future.

A 2001 survey of education and training conducted by the ABS highlights the diminishing role of learning and development activities as we age. According to ABS 2001 census data, over one-quarter of the Australian population participated in formal education in 2001 (28.4 per cent). However, the level of participation in formal education declined greatly with age. Fifty-six per cent of people aged between 15 and 24 years participate in formal education, compared to only 3.5 per cent of people aged 45 to 64 years.⁵

In a 2001 survey of training outcomes, over one-half of the people aged 15 to 24 years (54 per cent), compared with just over one-third of people aged 55 to 64 years, gained employment as a result of training. People aged 20 to 34 years were more than twice as likely to gain a promotion for undertaking training compared to workers aged 45 to 64 years.

The level of employer support provided to employees varies with age. People aged between 30 to 44 years of age received the most support for external training. People from the age of 45 years receive the lowest levels of supported training.⁶

As workers age, a number of barriers to lifelong learning and development arise. Barriers can relate to workplace culture; the level of past involvement in formal education and training; individual resources, including time, as well as the availability of suitable learning and development programs. An ABS survey also

provides an overview of the main reasons why people aged 45 years and over do not participate in education, despite a desire to do so.

The challenges that present in relation to engaging people as they age in continuing up-skilling and re-skilling include:

- entrenched cultural views of the role and appropriateness of learning at various stages in our working life and the ways in which they affect an individual's motivation to participate in development opportunities and the allocation of training resources
- the resource implications of higher levels of training participation across age groups
- the appropriateness and capacity of current systems to identify, respond and track the development needs and activities of people at various stages across their working lives
- the relationship between the incentive for participation in learning and development opportunities and decreasing opportunities for promotion or job change with age.

As workers age, a number of barriers to lifelong learning and development arise. Barriers can relate to workplace culture; the level of past involvement in formal education and training ...

In developing lifelong learning approaches and options the following must be considered:

- Industry participation and leadership in strategic approaches to meeting skill development requirements.
- Informed vocational advice embedded in a detailed understanding of the local labour market and broader employment trends.
- Training programs that are flexible, responsive, work-oriented and within the budget of people at different life stages.
- Integrated approaches to local, state and federal funding; regulations and structures that facilitate a service environment that is collaborative and responsive to the needs of learners.
- Assistance for individuals to develop clearly articulated pathways that connect them to the full range of resources available to support vocational transitions.
- Multiple-entry points to education and training options that accommodate the diverse learning needs, capabilities and interests of people.

Conclusion

Innovating and investing in the continuing development of skills across life is an agreed requirement to sustain productivity in an era when the pace of change defines social and business environments. This requirement is amplified by the demographic shifts in the structure of age in our population and workforce. At the same time, the forces that are ageing us as a population are also diminishing the growth in labour, with labour market growth predicted to fall from 170,000 net in 2001 to 120,000 for the decade 2020.⁷

Increasing the participation of people aged 55 to 64 years in the medium term has the potential to significantly boost the labour supply. However, at present people over the age of 45 have the lowest level of educational attainment and current investment in their skill development. This must change if people are to fully maximise their potential to contribute to the economy through their participation in work as they age.

Future cohorts will bring with them increased levels of education attainment; however, the skills developed at the outset of a working life will not be adequate to sustain relevance across a lifetime. The current model of our life stages is defined by education in our youth; work in our “prime” age and leisure in our old age. We need to re-conceptualise our view of the work–life course to one that combines learning, work and leisure across adult life. Lifelong learning is central to this new era of increasing longevity and rapidly changing business and social environments.

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Lessons

FROM RECENT AUSTRALIAN VOCATIONAL EDUCATION AND

training

reforms

2

JOHN BUCHANAN AND OTHERS 1

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John has tertiary qualifications in history, law and economics, as well as a PhD in work and organisational studies. Prior to joining ACIRRT in 1991, John was employed for seven years in the Australian Public Service. Between 1988 and 1991 he was part of the team that undertook the first Australian Workplace Industrial Relations Survey (AWIRS). He has led a large numbers of projects that have examined the changing nature of work in Australia. Key findings of this research have been published in academic articles and research reports. He has also co-authored two books: *Australia at Work: Just Managing?* (1999) and *Fragmented Futures: New Challenges in Working Life* (2003).

Until recently his major research interest has been the demise of the classical wage earner model of employment and the role of the state in nurturing new forms of multi-employer coordination to promote both efficiency and fairness in the labour market. Building on this research, he is now devoting special attention to the implications of the changing nature of work for trust relations between workers and their employers, and changing trust relations between different occupational groups.

Introduction: Vocational education and training – A key dimension of lifelong learning

The reality of lifelong learning in contemporary Australia is far from ideal. While the need for it may be widely recognised, its practice is at best underdeveloped. The current situation prevails despite considerable policy effort to rectify this problem. To this day the idea of improving access to, and delivery of, lifelong learning enjoys widespread support (Smith et al. 2002). Closer examination of the concept reveals, however, that the term means different things to different people (Symon 2004). For many educators it concerns deepening an understanding and skills of interest to the individual; in short, allowing people to reach their full potential. For some in business, and many trainers keen to serve them, the term has a quite different meaning. It is about the workforce changing its skill profile in ways consistent with the immediate needs of business as business defines it.

In many ways the history of Australian education explicitly concerned with middle range, work-related skills is the history of this tension playing itself out. This segment of the education system – which falls between foundation and higher education – has been constantly reconfigured. Over the centuries it has been described as concerning “the mechanical arts”, “industrial training” and “technical education”. Today it is generally described as vocational education and training (VET). The history of this element of the education system is far more dynamic than is commonly appreciated. In many ways it is a history of reforms being promoted by those motivated by an expansive notion of lifelong learning and these initiatives eventually being overwhelmed by interests committed to meeting immediate economic needs that are narrowly defined (for example, Murray-Smith 1966; Neal 1995).

Particularly good examples of this dynamic are provided by public policy initiatives concerning this realm of education in the last three decades. In the 1970s the Kangan Reforms endeavoured to promote an expansive view of

... only around 20 per cent of working age people were involved in a formal course of study, but over 80 per cent report that they had been involved in some form of training provided on the job or by the organisation they work for ...

what was characterised as “technical and further education”. After some initial successes, “economic imperatives” displaced the influence of this broader vision. The need to respond to growing unemployment meant that one of the major areas of growth was short-run training programs for those without work (Marginson 1997; Morris 1999). A similar process occurred in the 1980s and 1990s. An expansive program directed at giving people a second chance in life through the formation of better defined career paths supported by integration training was ultimately swamped by the demand for an approach (allegedly) more in tune with the need for greater labour market flexibility in the short run (Buchanan, Briggs and Watson 2004; Hampson 2004).

Lifelong learning concerns more than vocational education and training. Legacies of primary and secondary education are clearly important. So too is the operation of higher education. Any comprehensive analysis and policy dealing with lifelong learning must cover these sectors. This chapter, however, only deals with develop-

ments in vocational education and training. This is for two reasons. First, it is the part of the education system with which most people are engaged throughout their working lives. In recent times only around 20 per cent of working age people were involved in a formal course of study, but over 80 per cent report that they had been involved in some form of training provided on the job or by the organisation they work for (ABS 2001). Second, it is the area of policy that has explicitly endeavoured to upgrade large numbers of mature workers’ levels of education and training.

This chapter addresses two questions:

1. How has policy concerning vocational educational and training evolved in the last two decades?
2. Given the lessons from these changes, what are the key challenges for improving access to, and delivery of, lifelong learning in the future?

This chapter is structured as follows. In the first section we examine the rhetoric and reality of the reforms to Australian vocational education and training. Since the mid-1980s these have moved through two distinct phases. Initially, considerable efforts were made to move away from a system of “front-end” training (especially apprenticeships for the trades) to a system based on competencies open to all at any stage of their working life. Since the early 1990s the reform agenda has transmuted into a drive to establish a “training market” and the establishment of a vocational education and training system that is “employer led”. While the reforms have been associated with some improvements, “skill” problems continue to multiply. This is because the new system has not engaged with the new realities of work; namely, changing life courses on the supply side and changing networks of production on the demand side.

In the second section we outline how current problems can be overcome. There is a need to move beyond a pre-occupation with education and training institutions and instead devote greater attention to improving the processes of workforce development within the labour market – especially through better systems of training within organisations and on the job. In the last section we conclude by noting that unless such a change in direction occurs, Australia is likely to witness a repetition of the failures of the past.

Lessons for lifelong learning: Rhetoric and reality in the reform of Australian vocational education and training

In reflecting on recent reform experiences we first summarise what was attempted and then note what outcomes were associated with these initiatives. A brief explanation for why reality deviated so dramatically from the rhetoric is then provided.

Initiatives: Two phases of reform²

In making sense of how public policy concerning working life and skill formation is changing in Australia today it is necessary to understand the significance of the breakdown in what has been described as the “federation settlement” (for example, Macintyre 1985; ACIRRT 1999, chapter 2). This was a mix of policies concerning industry development (for example, tariffs), population growth (that is, “White Australia” immigration laws) and labour market regulation (that is, conciliation and arbitration). Closely allied to this settlement was a conception of working life shaped by an Australian variant on the traditional model of breadwinning. This has been called the “Harvester Man” model of employment and domestic relations (Watson et al. 2003, chapter 2). This model was never fixed and evolved dramatically over time (Nolan 2003). The key precepts of this model are well known. Males were assumed to work in full-time, full-year jobs and accrue a wide range of entitlements associated with “standard” employment. These were accrued against longstanding employers at rates of pay that allowed a man and his family to live a civilised life in “frugal comfort” (Higgins quoted in Macintyre 1985). Women were assumed to be financially dependent on men and primarily responsible for looking after the household. A key aspect to this model was a notion of skill (Buchanan, Briggs and Watson 2004). A basic wage was set for unskilled workers and additional margins were paid for “skill”. Over most of the twentieth century, around one male in four undertook an apprenticeship. The unions covering these people provided the power base for the Australian labour movement.

From at least the 1960s onwards, however, the “Harvester Man” model declined in significance as both an account of labour market reality and aspiration for many citizens. Critical developments included increasing female participation in the workforce and occupational

The basic idea was that workers could acquire skills from a variety of work experiences over their working lives, and then get recognition for these skills and thereby progress further in their careers.

restructuring that changed the nature and significance of trades work. Since the 1980s another policy model has steadily emerged. In the realm of economic and labour market policy, neo-liberal precepts have become increasingly influential (Pusey 1991, 2003; ACIRRT 1999, chapter 2). In the realm of social policy, notions of defining access to benefits on a modern idea of the “deserving poor” have become increasingly influential. In short, in place of the “Federation settlement” we have

witnessed the emergence of what could be described as a neo-liberal social settlement (Wheen 2004; Frank 2000, 2004; Marr 1999; Marr and Wilkinson 2003).

In the realm of policies concerning vocational education and training, the transition from “Harvester Man” to the current situation has involved a two-stage process. During the 1980s the union movement embarked on an ambitious campaign to open up the system of skill formation. The aim was to give people more choice across their life course and to minimise the limitations that often flowed from poor schooling or training experiences earlier in their lives. Why should early school leavers, for example, be condemned to low-skilled, low-paid work for the rest of their working life? In this quest, the primary focus was on breaking down restricted entry into the trades, and the main mechanism for achieving this was the push to establish systems of competency-based training. The basic idea was that workers could acquire skills from a variety of work experiences over their working lives, and then get recognition for these skills and thereby progress further in their careers. In short, the objective was to shift from up-front training to lifelong learning (Watson et al. 2003, p. 153).

These general ideas were formulated into a tightly defined “National Training Reform Agenda”. Richard Curtain (1994, p. 44) summarised the key elements of this agenda as follows:

- The development of competency standards by industry and associated curriculum development to reflect competency outcomes.
- The development of an Australian Standards Framework for vocational education and training credentials.
- The establishment of a National Training Board (NTB).
- The agreement on a National Framework for the Recognition of Training (NFROT).
- A number of reports on issues related to the training implications of industrial relations changes, young people’s participation in post-compulsory education and training, and the need for curricula to take into account a number of general or core competencies.
- The establishment of the Australian Vocational Certificate Training System (AVCTS) to provide a number of pathways in the transition from school to work.
- The establishment of the Australian National Training Authority (ANTA) to oversee the allocation of government resources to the publicly funded Technical and Further Education (TAFE) sector.

However, from the early 1990s onward, this agenda for training “reform” was dramatically recast (The Allen Consulting Group 1994; Buchanan et al. 2001, pp. 5–10; Hampson 2004; Buchanan, Briggs and Watson 2004). The weakening of established apprenticeship systems for trades training was used by free market advocates to

establish in its place a training market. Whereas the 1980s training agenda had been directed at opening up skills to a broader range of people, the 1990s were more concerned with introducing market principles into the operation of skill formation. Particular attention was directed to ensuring that industry – defined as peak employer organisations – had more influence in directing public moneys allocated for skill formation, or what was known as VET (Watson et al. 2003, pp. 153–4). As a result, the dominant concerns gradually became “user choice” and “freeing up” allocation of public training funds previously monopolised by the public systems of

The weakening of established apprenticeship systems for trades training was used by free market advocates to establish in its place a training market.

TAFE. Since 1996 key initiatives associated with the development of a national training market have included the development of a new National Training Framework based on industry training packages and the Australian Recognition Framework for providers of education and training services – public and private (Hampson 2004). These arrangements have purportedly shifted power in the allocation of public training funds away from public-sector TAFE systems into the hands of those using training services, especially employers.

Outcomes: Some achievements but growing problems³
These reforms have resulted in some achievements. They include:

- increased flexibility and availability of structured training, primarily supplied by generating a larger range of providers in addition to TAFE, and freeing up approaches to technical and further education within the publicly funded training system
- greater numbers of individuals with portable, nationally recognised qualifications
- greater responsiveness of the vocational education and training providers to the requirements of employers and industry bodies.

Nevertheless, serious challenges, if not problems, remain. Indeed, there are growing reports of frustration among employers, workers and students with the current arrangements concerning work and skill formation.

Typical indicators of this frustration include:

- despite the shift to a “demand”-driven system, complaints of skill shortages persisted throughout the 1990s.⁴ Over the past year the problem has become so acute in sectors such as mining, construction, engineering, health and business services that the Reserve Bank has indicated that wage pressures associated with these shortages could increase inflationary pressures in the economy (RBA 2005)
- growing numbers of young adults (those aged 20–24) combining education and work: 25 per cent (1998) compared to 16 per cent (1988). However, many of them are not happy with their forms of employment. Among part-time young adult men in particular, 40 per cent want to work more hours each week (Buchanan and Bretherton 1999, pp. 55–68)
- falling levels of training provided by employers. Indeed, the changes in VET policy appear to be part of a significant cost-shifting exercise from employers to the state. Some commentators have argued that far from delivering a dynamic, demand-driven system, the reforms of the 1990s have merely delivered enhanced business welfare at public expense. Levels of training expenditure by employers as a percentage of payroll, for example, have been stagnant since the late 1980s. They only rose slightly during the period of the Training Guarantee Act and slipped back to their previous level after this Act was first “suspended” and then abolished (ABS 1989, 1993, 1997, 2003; Hall et al. 2002; Watson et al. 2003, chapter 10)
- despite being supposedly “industry” or “employer” led, the system of vocational education and training still appears to many in the workplace level to be “overly complex, confusing and difficult to access” (The Allen Consulting 1999, p. xiii). The influence of key officials in leading peak employer associations may have increased, but the input of most employers is marginal at best and usually totally absent. The Allen Consulting study (1999, p. 63) found “that over 80 per cent of companies were either unsure or disagreed with the proposition that more recent changes to the training system had made the training easier to access.”

Causes: changing skill eco-systems and life courses⁵

In making sense of the disjunction between the rhetoric and reality of vocational education and training reform, our research has highlighted the importance of having simple but appropriate concepts for both making sense of the challenges and in formulating policy responses. A key problem with much analysis and policy in this area is that it is informed by outdated notions of individuals and units of production; that is, the nature of the supply of, and demand for, labour. Both are conceived of as isolated units that interact in a training market (Hall et al. 2000). Such assumptions do not accurately capture current and emerging realities. With apologies to John Donne: “no worker or workplace is an island.”

On the demand side there is a growing literature on the nature and significance of economic networks – especially clusters of workplaces – as the key variable for making sense of how production occurs today. Traditionally, the demand for labour has been defined in terms of “employers” or “firms”. But such categories fail to engage with the emerging realities of network productions and clusters of firms that have received recent increased interest by the OECD:

Increasing complexity, costs and risks in innovation are enhancing the value of inter-firm networking and collaboration in order to reduce moral hazard and transaction costs, spurring a multitude of partnerships between firms with complementary assets, in addition to traditional market-mediated relations (OECD 1999).⁶

Leading vocational education and training researchers have built on this literature and developed the concept of “skill eco-systems” (Crouch et al. 1999; Finegold 1999; Briggs et al. 2000). This provides a powerful framework for thinking through the evolution of the connections between work and skills. These are defined as clusters of high, intermediate and low-level skills in a particular region or sector. The key elements of such eco-systems are:

- business settings (for example, type of product market, competitive strategies pursued by organisations within these, business organisation/network and financial systems)
- institutional and policy frameworks (these concern vocational education and training and other areas of state intervention)
- modes of engaging labour (for example, the balance between “standard” workers and casuals, contractors and labour hire workers)
- structure of jobs (for example, job design and work organisation)
- level and type of skill formation (for example, apprenticeships and informal on-the-job training).

Any policy on work and skills that does not engage with the changing realities of different skill eco-systems will be at best ineffectual and at worst counterproductive. In recent years we have analysed in depth the changing skill requirements of sectors as diverse as dairy farming (Cole 2004a, b, c); most areas of manufacturing (Buchanan, Briggs and Evesson, 2002 and Buchanan, Briggs and TAFE Project Research Team 2004); and a diverse range of service industries, including health, retail and hospitality (Buchanan and Hall 2004). All these analyses of changing skill requirements have revealed that issues associated with the formal training system are of second and third order of importance compared to other dynamics at work in skill eco-systems. A particularly challenging problem common to many of these eco-systems is that the growing preoccupation with fully deploying labour on the job is squeezing out time for the

coherent development of skill. Current trends are severely compromising the sustainability of a number of skill eco-systems dependent on middle range and higher order skills – especially in manufacturing, health and information technology.

On the supply side there has been growing interest in moving beyond traditional human capital and life cycle models of the individual (Fine 1998), with increasing interest in the idea of understanding the reconfiguration of life courses. We have found that the concept of transitional labour markets provides a particularly useful model for conceptualising contemporary labour market flows that need to be considered if vocational education and training is to play a more effective role in assisting workers through key changes in their working lives (Schmid 1995, 2002a and b). This framework acknowledges that the traditional notions of full-time permanent employment and linear career paths are no longer realistic benchmarks and have limited explanatory power. According to Schmid and his colleagues, the five key labour market flows that should be considered in contemporary labour market and skills analysis include transitions between:

- education/training and employment
- part-time and full-time dependent employment
- private or family-based activity (usually unpaid) and paid work
- unemployment and employment
- work into retirement or between periodic incapacity for work (due to illness or disability) and employment.

Changes in the key transitions within workers’ lives pose substantial challenges to the economy. In a sector such as retail, for example, changing life courses mean that growing numbers of students working part-time are filling positions which previously provided entry-level employment for school leavers. This in turn reduces the feeder pool for middle management positions in the sector. Similarly, in health and community services, changing life courses associated with increased career options and the fertility choices of women are radically changing the pools of labour supply traditionally relied on for occupations such as nursing and personal care attendant. Policies that are preoccupied with the institution of training provision do not grapple with key realities such as these.

The focus on networks (that is, non-market and non-hierarchical forms of social organisation) common to both skill eco-systems and transitional labour markets provides a powerful basis for deepening the understanding of issues associated with building capacity and capability for making lifelong learning a reality. They are especially helpful in thinking through what the key priorities should be in developing a more effective approach to lifelong learning in the future.

TABLE 2.1

MAKING SENSE OF WHAT AN INDUSTRY-LED TRAINING SYSTEM MEANS IN VET POLICY AND PRACTICE IN AUSTRALIA TODAY

ISSUE OF CONCERN	THE ELEMENTS OF CONCERN IN SYSTEM DESIGN	POSSIBLE CONFIGURATION OF ELEMENTS IN A REGIME OF SKILL FORMATION
1. The agents involved; that is, the balance within society between the “industry” partners	“Employers” + unions	Variant (a): Joint regulation/control Variant (b): Consultation Variant (c): Management/employer unilateralism
2. The levels involved; that is, the balance between different levels of economic practice and which level controls definitions and funding for skill development	Employers in general Employers at sectoral level Employers at enterprise level Employers at workplace level	Variant (a): National level domination usually prevails by means of an “enterprise”-based system Variant (b): Sectoral-level system gives strong voice/representation to concerns with occupation and workplace practices
3. Role of the state; that is, the balance between state and economic agents in the provision of skills	Government and “Industry”	Variant (a): The framework state – government provides the framework for “industry” to “get on with training”. Can take neo-liberal (for example, Hayek) or pluralist (for example, Kahn–Freud) forms Variant (b): Corporatist model – state + industry actively work together to manage training Variant (c): Business welfare model – government funds employers to do the training

Source: The middle column was derived directly from Schofield 2002. Columns 1 and 3 represent attempts to characterise this framework in a way compatible with, but not explicitly referred to in her paper.

Improving lifelong learning: From industry-led VET to cooperative workforce development?⁷

One of the greatest paradoxes about the legacy of the reforms in the 1990s is employer confusion with a system that has been created by the leaders of this class. Our research highlights that many of the problems can be traced to the objectives of the reform process. In recent times there has been a preoccupation with the formal institutions of education and training. Coupled with this has been an almost obsessive concern with having “industry leadership” of this formal system. If lifelong learning is to become more accessible and better delivered we feel that policy needs to grapple with the broader notion of workforce development. Allied to this we think the notion of “industry leadership” needs clarification. In particular, we believe greater attention needs to be given to devising institutional mechanisms that give voice to different stakeholders and which capture the benefits of coordination, as well as flexibility in the development and delivery of learning relevant to work.

First, let’s deal with the issue of “workforce development”. For too long policy on vocational education and training has been preoccupied with the formal aspects of learning as manifested in institutions such as TAFE. While it is undeniable that these institutions are important, they are by no means the only aspects of social reality that

should be of interest to those concerned with improving lifelong learning. Indeed, our research into changing skill requirements in agriculture, manufacturing and services reveals that few employers have problems with formal institutions of learning, and even when they do these are of second-order significance compared with other issues associated with how skill eco-systems are changing.

Kaye Schofield has argued that if policy concerning work and learning is to move forward it is more useful to think in terms of a notion of “workforce development”. Drawing on work recently completed for and by the UK Cabinet Office (UK Cabinet Office 2001, Coleman and Keep 2001, see also LSC 2002 and LSDA 2002), Schofield as reviewer for the South Australian Ministerial Inquiry proposes the following definition:

Workforce development is defined as those activities which increase the capacity of individuals to participate effectively in the workforce throughout their whole working life and which increase the capacity of firms to adopt high-performance work practices that support their employees to develop the full range of their potential skills and value (Government of South Australia 2003, pp. 7, 20).

Making “workforce development” the focal point for policy on vocational education and training and lifelong learning strikes a particularly strong chord with us. It res-

onates so strongly with the notion of “skill eco-system”, which helped make sense of our empirical findings. Our conception, and that which accords best with the original meaning of the term and its use by others such as Kaye Schofield, includes not just the development of workers through training, but also the development of the jobs in which workers work. As Richard Hall and myself have argued, the term seeks to emphasise the need to design, develop and sustain jobs and working arrangements that:

- utilise higher order and more advanced technical and cognitive skills
- provide workers with an opportunity to apply and develop higher order skills
- facilitate meaningful and regular opportunities for on the job training and skills transfer
- encourage the development of skills, competencies and attributes that are of long-term value to the economy, society, industry and region concerned – rather than just of immediate interest to the employer (Buchanan and Hall 2004, p. 43).

Only a comprehensive conception of workforce development can ensure that policy supports not just training, but the facilitation of sustainable skill eco-systems.

In addition to shifting the focus of policy from “training” to workforce development we believe it is important to rethink issues of power and control in the operation of the system. In recent times there has been a tacit policy consensus at the national level that the VET system needs to be “industry led”. But what does this mean? Again, Kaye Schofield has offered some important pointers to the key issues that need to be addressed. As she notes, the term is not as self-evident as is often assumed. She argues that three issues in particular need to be clarified. These issues are summarised in Table 2.1.

First, just who falls into the category “industry”; that is, who are the agents involved in running the system? Is it the owners of business and/or their representatives? Does it extend to unions, the organisations that represent the people who work in those businesses? Second, what level of industry are we talking about: workplace, enterprise, sector or nation? Finally, what is the role of the state vis-à-vis industry? Does it simply provide the framework for agents at whatever level to operate in, or does it provide funds directly? If it does provide funds, how are these to be managed: jointly on a corporatist basis or on the basis of delegation to private employers as business welfare?

Currently, we appear to be witnessing the emergence of a system in which “industry” primarily means peak employer bodies only, operating primarily at national level administering publicly provided funds on a business welfare model of training delivery. Is this the ideal administrative structure for nurturing a more effective approach to lifelong learning? As Schofield’s framework shows, even if we accept the idea of “industry leadership”,

a wide range of options exist. Given the problems with current arrangements it is time to open up debate as to whether there may be more effective ways of running vocational education and training. A more cooperative approach that gave a role for unions, as well as employers at the workplace and sectoral level, would give a more decentralised approach to nurturing workforce development within particular skill eco-systems.

Conclusion: Can a farce be avoided?

Training and education reform appears to be driven by a commitment to even greater “marketisation” in the interest of short-run objectives narrowly defined by some national employer organisations. These are precisely the features of policy that have been associated with the key skills problems noted earlier: increasing skill shortages in key pockets of the labour market, employed students frustrated with the work–life balance and confusion among many employers on how to access “the system”. Should this policy direction continue we can expect more of the same. Market-based solutions by themselves will not deliver what market economies need in terms of skills for sustainable prosperity in the future.

ACKNOWLEDGEMENT

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END NOTES

- 1 This chapter is based on insights gained from a large number of projects evaluating reforms to, and the evolution of, Australian skill formation and working life. These were undertaken by groups of researchers primarily based at ACIRRT, the University of Sydney's workplace research centre. At the beginning of the various sub-sections of the chapter, details are provided of the reports on which they are based (and sometimes reproduced in part). While citations of all the researchers involved in these projects are provided in these footnotes, I wish to acknowledge the special contribution the following have made to developing the analysis summarised in this chapter: Chris Briggs, Kaye Schofield, Richard Hall, Ian Watson, Justine Evesson, Gillian Considine and Mark Cole. Ron Callus has also contributed greatly to my understanding of these issues over the last two decades.
- 2 This section draws heavily on ideas developed through major studies of the transformation of Australian working life in the 1980s and 1990s, and a large-scale project on the changing links between work and skills in the future. Key publications arising from these studies are ACIRRT 1999, Watson et al. 2003 and Buchanan et al. 2001.
- 3 The section draws heavily on Buchanan et al. 2001.
- 4 The problem of skill shortages became so acute in 1999 that the Federal Minister for Education, David Kemp, met with the three largest national employer organisations to discuss the topic and formed three working parties to examine the problem in engineering, electrical contracting and the automotive trades (Allen Consulting Group 1999). The number of government-sponsored “skills initiatives” groups increased rapidly in subsequent years.
- 5 We first grappled with the idea of skill eco-systems in a study of skills and the future of work. See Briggs et al. 2000. The concept has been refined in all our major skills studies since then. We have been working with the idea of transitional labour markets since 1995 (see Buchanan and Bearfield 1995). Watson et al 2003 provides a consolidation of our findings on this issue.
- 6 OECD 1999, *Boosting Innovation: The Cluster Approach*, Paris, p. 7.
- 7 Many of the ideas in this section draw on insights developed jointly with Richard Hall and Kaye Schofield. For a more detailed elaboration of them see, for example, Buchanan and Hall (2004) and Schofield (2002).

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training

AND RE-TRAINING

re-training
mature-age

workers

PAUL BYRNE

3

PAUL BYRNE is the interim Chief Executive Officer of the Australian National Training Authority (ANTA). Paul is a former general manager of ANTA who returned as interim CEO in August 2004.

Paul has been actively involved in the major reforms of the Australian vocational education and training (VET) system for more than a decade. He began his career as an electronics engineer, became a teacher and administrator in TAFE, and filled leading roles in the national TAFE teacher union movement before joining ANTA in 1996.

Before his retirement as General Manager of ANTA in February 2003, Paul was ANTA's key liaison point with industry and a driver of the VET reform process. Since leaving ANTA, Paul has become a member of the TAFE Tasmania Board and a director of the Innovation and Business Industry Skills Council.

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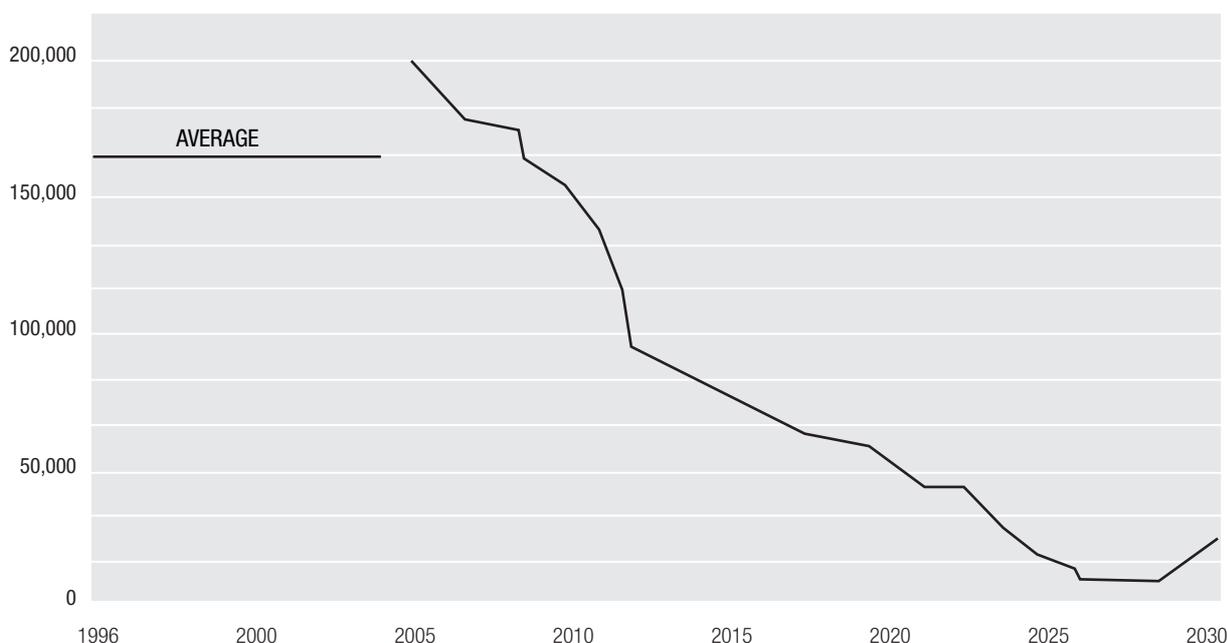
Introduction

A shrinking workforce and growing skills shortages over the next 15 to 20 years is shining a spotlight on older workers. As employers struggle to recruit and retain staff, they are becoming more aware of the value of mature-age (45 years of age plus) workers. Employers are beginning to notice this group's many qualities – their accrued knowledge and skills, their adaptability, loyalty and reliability. However, the continuing employment and training of mature-age workers is yet to be widely recognised as a positive investment rather than an unnecessary cost.

Australia's vocational education and training (VET) sector is responding to the ageing population and its implications for the nation's productivity. This chapter presents a snapshot of the mature-age learner in VET, outlines what the sector is already doing to address the needs of mature-age workers, and considers future policy and implementation challenges for the VET sector in the training and retraining of mature-age workers.

Why is training a necessary and integral part of the mix? Learning makes a difference to people's lives, regardless of age. For the individual it can improve employment prospects and assist the right career and life choices. For employers, high-quality, well-targeted training can increase productivity and profitability, improve the prospects of attracting new employees, lift morale and reduce absenteeism, as well as encourage greater flexibility in the face of rapid change.

FIGURE 3.1
GROWTH IN THE AUSTRALIAN WORKING AGE POPULATION



Source: Access Economics ABS 2005

Making the most of this currently under-used pool of workers will demand a considerable mind shift across the whole of Australian society. Employers must rethink their preference for younger recruits; workers must believe that old dogs can learn new tricks; and training providers must be able to offer the mature-age population relevant, effective and high-quality services that might require different approaches from the past.

Skilling mature-age people

Competence, not age, should be the key to thinking about the workforce. That means focusing on how best to engage people in continuous learning, considering such factors as their motivations and preferred learning styles.

In this regard, the mature-age cohort is not homogeneous. One approach to disaggregating the group and its members' needs and preferences is to examine their current relationship to work and to develop training strategies according to whether someone is already in work, seeking work, at risk of losing a job and needing to change occupation or industry, wanting a career change, or hoping to rejoin the workforce.

Given that there are entrenched pockets of long-term unemployment in the mature-age bracket, the focus of attention in the public sector has tended to be on those people who are out of work or only marginally attached to the workforce.

However, mature-age workers already in the workforce are also an important group from a policy and practical perspective. Nearly 40 per cent of mature-age workers are employed in high-level occupations – as managers and professionals. Since this part of the labour market is expected to increase over the remainder of the decade, there is likely to be greater career choice for this group. Employers will therefore need to acknowledge and address their training needs. Many of these people are passionate learners and require no persuasion about the value of lifelong learning, but they may need assistance to update and transfer their skills and knowledge.

The outlook is mixed for other mature-age workers, with one-quarter working in areas that are expanding, and another quarter having jobs where there is likely to be only slow or moderate growth. That leaves almost 10 per cent of people whose jobs are disappearing or contracting. The people in this group are highly vulnerable and if they lose their jobs and lack appropriate transferable skills, this may make it hard for them to find new employment. Training will be pivotal to their re-engagement. However, there are potentially many within this group who are likely to be the least motivated to learn and may also have to overcome low self-esteem, health problems or a disability. This presents serious challenges for the VET sector.

Another feature of the mature age workforce is its gender segregation. Two-thirds of older women work as cleaners, in clerical, sales and service occupations, or in the health and education sectors. By contrast, trade occupations, plant

and machine operators, and transport workers and labourers are male-dominated. Knowing these differences can be helpful in devising marketing and learning strategies which suit these categories of workers.

The role of vocational education and training

The VET sector is a large but not always understood component of the Australian education and training scene. With over 4000 recognised training providers, including technical and further education (TAFE) institutions, private and community providers, and an increasing number of secondary schools registered to provide VET training, the VET sector has a deep reach into the community and industry. It also has a broad brief to provide skills and knowledge for work, to enhance employability, and to assist learning throughout life. To do this, the system provides six levels of nationally recognised qualifications.

The VET system is shaped by the needs of industry and business. It is these that drive training policies, priorities and delivery. While Australian, state and territory governments provide around half the funds for VET, the other half comes from employers and learners themselves.

Like other areas of government and industry, the VET sector has more recently given increasing priority to maintaining and expanding the skills of older workers. Across the country, policymakers and practitioners have been looking at what mature-age learners need and how they learn. This has resulted in a range of innovative programs to engage the reluctant learner and to help people back into work. It has also contributed greatly to our knowledge of the diversity of mature-age learners. This has set a good foundation on which to build a coherent response to the various training needs of older people within the workforce and beyond.

Australia's VET system accommodates many delivery mechanisms (including distance education, workplace training and e-learning). These assist it to respond to the challenges posed by our ageing population. The VET system also allows training to be customised to suit the needs of individual organisations and, increasingly, individual learners.

Training packages

Over the past decade, the Australian VET system has fully adopted a competency-based approach. Competency requirements and associated qualifications are identified in the form of industry-developed training packages. These are reviewed every three years to reflect changes in industry needs and to build in other improvements. In conjunction with national qualifications and quality assurance frameworks, training packages allow for consistency of training and qualifications across the country. At the same time, they provide a degree of flexibility in meeting differing user needs.

A high-level review of training packages conducted in 2003–04 endorsed the industry-led system, while also identifying a range of areas for improvement. One of these areas related to the increasing demand from some user groups, including mature-age learners, for recognition of smaller chunks of learning, rather than full qualifications. Work is under way to introduce new mechanisms by which these can be assessed and accorded national recognition. Achieving this will meet the demand among mature-age workers for training that fills specific gaps in their skills sets. Better pathways, greater portability and quality assurance will also assist workers to gain the competencies they need to stay engaged in the world of work.¹

Barriers to mature-age participation in VET

One in eight working age Australians is engaged in some kind of vocational education and training. While 7 per cent of the VET student population comprises people over 45 years, ABS data shows that in 2001 only 3 per cent of people aged 45–64 undertook formal study.² This decline can be attributed to several factors, including a reluctance on the part of employers to invest in training for older workers, inadequate information about learning options, insufficient tailoring of services to meet mature-age people's needs, and attitudinal barriers to returning to formal study.

Those older workers who do study are usually the ones who already have qualifications. The others – who certainly also possess a wide range of skills and knowledge – may not

Those older workers who do study are usually the ones who already have qualifications.

have been involved in structured training since their school years. This absence of formal qualifications, along with the prevailing age discrimination, may mean they are more reluctant to return to structured learning.

Strategies

We know that mature-age workers and others in the ageing population lack awareness of the opportunities that exist for learning. We also know that opportunities need to include multiple entry points and flexible pathways, cater for the varying experience and learning preferences of this group, and take into account time pressures and other constraints on older students. These factors are shaping the VET sector's approach to better engaging the mature-age workforce. A number of its broad strategies are outlined below.

Marketing and guidance

We need to persuade older Australians to recognise the value of further training and education as a key to

FIGURE 3.2
MATURE-AGE ATTITUDES TO LEARNING



Source: *Marketing Strategy Client Needs*, p. 42.

remaining in or entering/re-entering the workforce. That means tailoring messages about learning that will resonate with particular audiences. We also need to strengthen the recognition of the value of VET within industry and the broader community. This includes appreciating that VET now reaches beyond entry-level training for young people to cover a wide range of other client groups across almost all industries.

In 2000, the Australian National Training Authority (ANTA) identified eight learning segments reflecting varying attitudes to learning across the population. (See Figure 3.2)

This segmentation can form a useful guide for those seeking to communicate with different parts of the mature-age market, and for addressing negative or ill informed perceptions of the VET sector. For example, it is not always easy to engage mature-age men, particularly those with no post-school qualifications, who tend to regard training as inaccessible and/or irrelevant. It has been found, however, that showing them how their peers are engaged in learning and reaping its benefits can be an effective way of engaging this group. In contrast, mature-age women wanting to re-enter the workforce are likely to be more motivated, but need to know that there is support to help them return to study in a formal institution. For both groups, it is now understood that time spent in building self-esteem, determining career directions and improving study skills is likely to result in better training outcomes and more sustainable employment.

This places additional demands on providing access to appropriate information and guidance about learning and career options for mature-age clients in the workplace, within the welfare system and local communities, as well as within the training system. Access to good information and appropriate choices is, however, only useful if clients can overcome other barriers to further training, including age discrimination, financial cost, competing demands of work and family, and health. Addressing these problems will require strong cross-sectoral cooperation and professional development for those dealing with mature-age clients.

Employability skills

The VET sector is responding to industry's call for employability skills, such as communication, teamwork, problem-solving, and planning and organising, to be an integral part of the VET delivery and recognition process. This should provide for more visible recognition of the value of these skills, both in the teaching and recognition processes. Work is also under way to explore how to break down the silos in different industries' approaches to skills development to ensure portability of qualifications. For example, a Pathways Certificate I is currently being designed that makes the employability skills explicit and incorporates a common approach to skill development, while also allowing for contextualisation according to industry, sector and workplace.

Recognition of prior learning

Recognition of prior learning (RPL) is the formal assessment of an individual's current skills and knowledge against standards in training packages or accredited courses. By identifying both skills and skill gaps, RPL can reduce the amount of training experienced people have to undergo and enable more careful targeting of the training dollar. It also helps in the recognition of informally gained skills.

Mature-age people are generally looking for pathways that are short and targeted. They want bite-size programs and do not necessarily want to commit to a full qualification. They also want services that are flexible and user-friendly. Efficient RPL practices can cater to this demand, as well as contributing more broadly to a fast and streamlined response to industry's skilling demands. To do this, RPL processes need to become more flexible, equitable and responsive to clients. Ways to eliminate the obstacles to widespread use of RPL are being explored in several projects around the country with a view to producing a national, integrated approach.

Assisting disadvantaged older workers

The Australian, state and territory governments have recognised that mature-age people may need particular encouragement to move into areas of skill shortages, and that disadvantaged older workers need help to equip them with the skills to ensure their job security.

Older job seekers

In 2004–05, the Australian government directed \$20.5 million towards the creation of 7500 training places for mature-age workers, parents returning to work and people with a disability. *Australians Working Together* funding has supported projects in the states and territories that respond at a local level to helping older unemployed people. The mature-age Employment and Workplace Strategy, introduced in 2004, is aimed at improving knowledge about the changing nature of the labour market, supporting job seekers improve their job search techniques and career decisions, and giving employers guidance about how to devise mature-age employment policies at their workplaces. Much of this effort involves training initiatives. The Australian Department of Education, Science and Training also provides an additional payment to disadvantaged mature-age apprentices.

Literacy

The Adult Literacy National Project has been in operation since 1997. Its objectives are to foster adult skilling and improve VET opportunities and outcomes, including through better linking of training and employment. In addition to the Workplace English Language and Literacy (WELL) Programme and the Language, Literacy and Numeracy Programme, that caters to eligible job seekers, the project also supports a migrant English program and funds schemes to help older workers master technology. While the fastest growth rate in people accessing the Internet is among older Australians, it is still a fact that for many of those wanting to return to the workforce, the absence of basic information technology (IT) skills remains an obstacle. Since 2002, the Australian government has provided \$23 million for the Basic IT Enabling Skills (BITES) for Older Workers Programme, seeing more than 17,000 Australians helped in gaining critical information technology skills.

Professional development

The VET sector has recognised that if it is to provide high-quality, accessible training to meet the needs of all client groups, including the mature-age group, it must be a leader in building the capability of its own people. It therefore invests substantial resources into promoting innovation in VET delivery, assessment and workforce development. For instance, trainers from both the public and private sector are being equipped to respond to emerging industries and technologies, as well as to help small/medium enterprises and the existing workforce to create learning-conducive workplaces.

Work is already under way to inform training organisations about how best to cater to older learners. This material will also inform them on ways to work in partnership with employers to ensure that all employees, regardless of age, are encouraged to participate in training, learning and development opportunities for the full course of their working lives. Included in such

guidance is information about RPL, suggestions for marketing strategies and ways to build the confidence of learners.

Anticipating the future: A coordinated effort

This suite of strategies, together with a range of innovative approaches being developed at the point of training delivery, will go some way to addressing the needs of those already in the mature-age group. But what of the future mature-age cohort?

Around 70 per cent of the Australians who will form the workforce in ten years' time are already working. However, some of the future jobs do not yet exist and others will have changed beyond recognition.³ It is vital that industry, government, trainers and individuals combine their efforts, not only to meet the challenges of today but to anticipate those of the future.

The trend away from vertical career paths towards a portfolio of jobs is likely to accelerate. In the future it is likely that organisations will need to be more agile and less hierarchical. To ensure that they can respond to constant change, they are likely to place greater emphasis on informal learning rather than on formal award courses. Individuals, too, will demand greater recognition of their informal learning, particularly if they are being asked to bear the cost of filling any skills gaps they may have. This poses the challenge of how such informal

Around 70 per cent of the Australians who will form the workforce in ten years' time are already working. However, some of the future jobs do not yet exist and others will have changed beyond recognition.

learning is incorporated into the national training system and how it is linked to wider human resource management strategies that promote new approaches to job design and work organisation.

There is no doubt that all those involved in shaping the training system – including governments, industry organisations and employers – are having to gear themselves more and more to cater for the changing demands of industry and meet individual consumer preferences.

New pathways

Such a fluid system will require more pathways for learning, recognising that education and training is no longer a linear process, but one that demands cooperation across sectors (for example, the VET and university

systems and between industries); strong alliances between the public, private and community sectors; and clever use of new technologies.

The training system must also adapt further to the demands of an ageing workforce and to the problem of skills shortages. For example, while there are now over 50,000 mature-age apprentices and trainees taking part in the New Apprenticeships scheme, few of these are in the traditional trades. The next step is to further mould the apprenticeship system to cater to contemporary conditions. This will be facilitated by technology and by increasing the flexibility of delivery mechanisms now available to offer greater potential; for example, for reducing the timeframe in which an apprenticeship is completed.

Self-managed career paths

Throughout the OECD it is being recognised that career guidance can play an important role in better allocation of human resources in the changing world of work and in an ageing society. Such guidance should be aimed at equipping individuals to manage their own career and learning

Throughout the OECD it is being recognised that career guidance can play an important role in better allocation of human resources in the changing world of work and in an ageing society.

pathways. They will need to be able to combine competencies to create their own work options, moving in and out of economic activity as necessary and having different work status at different times of their lives.⁴ These are all elements that need to be considered by VET practitioners when designing and delivering training for all age groups, but more broadly by the system to ensure that the type of training people choose fits their career aspirations and personal circumstances, as well as their aptitudes.

The next generation

While the current focus is on people over 45, it is also necessary to start thinking about the next generation of mature-age workers. In the future, increased school retention rates and post-school education and training will produce people with greater IT literacy and also increase the demand for career management. This will require different emphases in training strategies. However, in the shorter time frame, there is a significant cohort of women between the ages of 30 and 44 who have had a prolonged period out of the workforce and

who need retraining or updating of skills to help them move back to full-time work. There are also significant numbers of men in the 30 to 44 age category with limited post-compulsory education, who will be at risk in a dynamic economy unless they are encouraged to upgrade skills or train for alternative employment.

Conclusion

Over the last decade much has been done to shape a VET system that has the capacity to respond to the changing nature of work and an ageing population. It has been recognised that still more needs to be done to achieve a streamlined system and to strike the right balance in serving both the needs of industry and learners.

In recognition of the need for more coordination and collaboration between government, industry and training sectors, the path is being laid for further flexibility in the VET system, while ensuring that all players are working within a national framework. This promises a better service for learners, including those in the mature-age workforce. In particular, it should provide for greater access to multiple learning pathways, greater recognition of experience and skills already acquired, and a deeper appreciation of the benefits of lifelong learning. Such measures will ensure that the VET sector makes a major contribution towards addressing the shrinking labour market and achieving the best use of Australia's human capital.

END NOTES

- 1 ANTA 2004, *Moving On, Report of the High Level Review of Training Packages*, ANTA.
- 2 ABS data, 2001.
- 3 OECD 2002, *Review of Career Guidance Policies in Australia*, Department of Education, Science and Training, Canberra, p. 19.
- 4 OECD 2002. See also Standing, G. 1999, *Global Labour Flexibility: Seeking Distributive Justice*, Palgrave Macmillan, USA.

the case for a

national workforce development strategy

4

PETER NOONAN

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Peter is a former General Manager and acting CEO of ANTA. Within ANTA, he played a key role in the development of Australia's national VET strategies. The national training framework included the development and implementation of National Training Packages, the key policies and strategies underpinning the national training system, and in Commonwealth–state, industry relations it included the approval process for the TAFE capital works program.

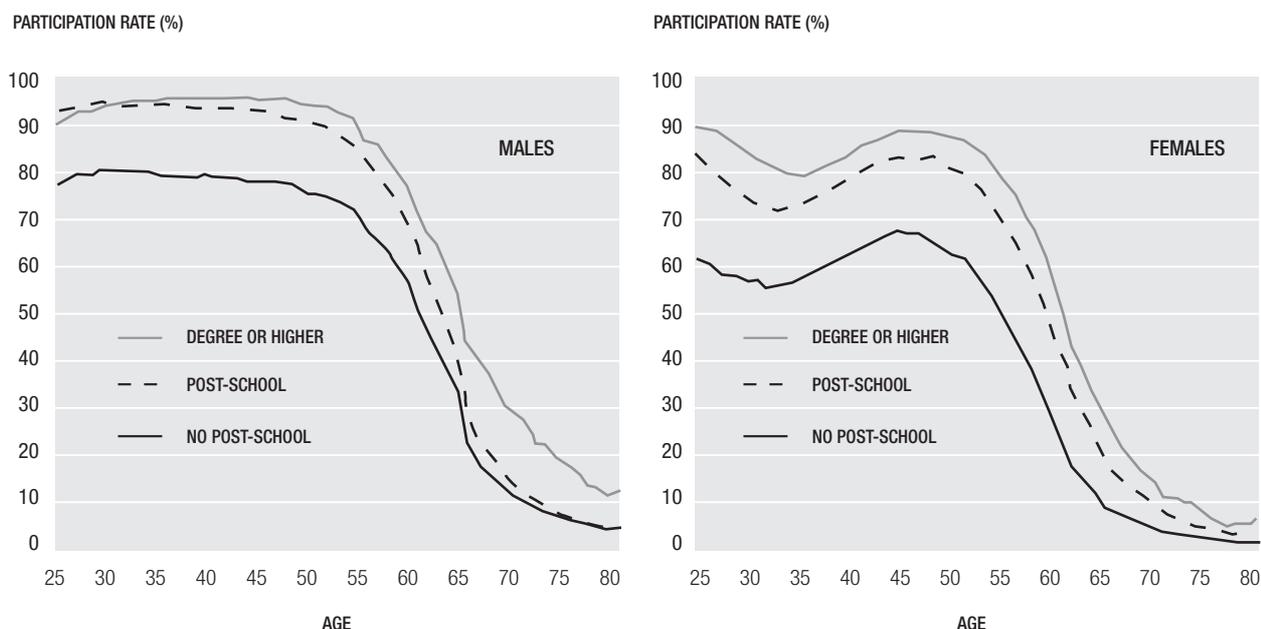
Introduction

In its recent report, “Working for Australia’s Future: Increasing participation in the workforce”, the House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation stated that by “2030 Australia will have over 500,000 jobs with no-one to fill them”.¹ The committee cited a combination of skills shortages, workforce ageing, falling fertility rates and the need for continuing productivity improvements as placing “even greater stress on Australia to lift its participation rate from its current 63.8 per cent” (Parliament of the Commonwealth of Australia 2005, p. viii).

The committee report echoes similar conclusions already reached in the Treasury’s *Inter-Generational Report*, studies by the Productivity Commission and by the Organisation for Economic Cooperation and Development which, in its *Economic Survey of Australia 2004*, concluded that “international comparisons of structural unemployment, overall employment ratios and participation rates suggest that there is ample room for raising labour inputs in Australia” (OECD 2004). The OECD went on to conclude that:

Training and up-skilling persons already in work should be given higher policy priority, and recent moves towards a coordinated strategy to adult learning represent a welcome step forward. Policy initiatives should be closely tailored to the needs of adult workers so that lifelong learning outcomes meet the underlying costs of tuition and production losses from being out of work (OECD 2005).

FIGURE 4.1
LABOUR FORCE PARTICIPATION BY AGE AND HIGHEST EDUCATIONAL ATTAINMENT



Source: ABS 2001 population Census data provided by the Australian Government Department of the Treasury

These conclusions are also consistent with the view of the Governor of the Reserve Bank of Australia, who, in a recent speech, suggested that a sound institutional framework was essential for Australia's future economic growth and that a key part of this framework is:

... some degree of equal opportunity so that people can invest in human capital formation. In this area, by far the most important component is access to education and an economic structure where positions of importance and authority are open to all comers on the basis of merit (Macpharlin 2004).

In the past decade and a half, Australia has done much to strengthen its vocational education and training system, building a national system of standards and qualifications, developing a diverse set of training providers regulated within a common national framework, extending formal VET training into new industries and occupations, expanding its apprenticeship and traineeship system and significantly increasing participation in VET.

However, around 50 per cent of the adult workforce still hold no post-school qualifications, and many adults lack both the technical and general employability skills required for many jobs in the modern workplace. These workers – or potential workers – are least well placed to access human capital development through formal training or through informal learning in workplaces.

More highly skilled workers will also need continuous access to new skills and knowledge through formal training and work-based learning.

In this chapter we argue that the challenges posed by population ageing, the need to increase workforce participation levels and growing skill shortages requires a national workforce development strategy, building on but extending beyond the current national VET system.

Skills and workforce participation

Formal qualifications are strongly related to labour market participation levels as Figure 4.1 from the Productivity Commission highlights (Productivity Commission 2004, p. 23).

The Productivity Commission (2004, p. 23) concludes “that rising educational attainment rates are still likely to exert a positive influence on participation rates” and makes the following points about the relationship between educational attainment levels, workforce ageing and labour market participation:

- As educational attainment levels of the current generation of the young are higher than the old average, attainment levels across the workforce will increase as current older workers retire.
- Older workers also continue to acquire additional qualifications.
- There is evidence that, as educational attainment rates increase, their effect on labour market participation diminishes, so it is “unlikely that the associations represented in the figure above will be as strong for older workers later this century”.

The need for a comprehensive workforce development strategy

The priority of adult workforce re-skilling in Australia has been recognised in current national strategy for Vocational Education and Training (VET) *Shaping Our Future: Australia's National Strategy for VET 2004–2010*, which contains an action strategy to “develop and implement a strategic plan to respond to emerging skill needs of the mature-age workforce and our ageing population” (ANTA 2004).

In 2002, the Ministerial Council on Employment Education and Training released a Declaration on Adult and Community Education. The Declaration said that:

... many adults did not acquire the learning essentials when they were young, or they learned in languages other than English. Now they may not value and even fear learning. Over 50 per cent of the adult population do not hold post-school qualifications. Thirty eight per cent of adults aged 45–54 and 49 per cent of adults aged 55–64 did not complete the highest level of schooling. Women who did not complete a full secondary education are far less likely to participate in the labour force than more highly educated women and most men (MCEETYA 2002).

The Declaration went on to highlight the danger of a growing knowledge gap between adult Australians with high levels of skills and qualifications, and those without. This includes “people who are poor, have disabilities, have low levels of literacy and numeracy, are from non-English speaking backgrounds, are geographically and socially isolated, and Indigenous Australians” (MCEETYA 2002).

Despite this high level of recognition by the Commonwealth and state ministers, there is currently no explicit, nationally agreed and coordinated agenda to address workforce development – one of the major economic and social challenges facing Australia. The OECD's reference to the existence of a *coordinated strategy to adult learning* in Australia is at best generous.

This is not to say that nothing is being done. On the contrary, many of the reforms to vocational education and training in Australia over the past decade – such as increased work-based delivery; skills-based career paths; recognition of prior learning; the expansion of the training market to encompass private, community-based and enterprise providers; and increased flexibility by TAFE providers – have opened up and extended formal learning opportunities to adults in new industries and occupations.

Australia also has one of the highest levels of adult participation in education and training among OECD countries. This is because of the relative openness and accessibility of TAFE and universities, the growing provision of nationally recognised VET by private enterprise and community providers, and the flexible and modular structure of VET programs.

However, without a focused and coordinated strategy between the Commonwealth and state governments, with

the active involvement of industry, opportunities for further learning are not likely to be extended to those with greatest learning needs who tend to have the lowest levels of participation in formal and work-based learning. Most at risk are the long-term unemployed, older workers who have left the workforce and many workers in casual and part-time jobs (the groups where the greatest gains must be made to increase workforce participation levels).

Skills and knowledge requirements

Formal qualifications are only one, and a limited measure, of the skills and knowledge levels of the workforce. The OECD has defined the knowledge required in a modern economy as:

- *know-what*, which refers to knowledge about facts
- *know-why*, which refers to scientific knowledge of the principles and laws of nature
- *know-how*, which refers to skills or the capability to do something
- *know-who*, which involves information about who knows what and who knows how to do what (OECD 1996).

Formal qualifications tend to encompass *codified* knowledge; that is, knowledge that is captured and represented in standards and curriculum and which primarily covers “know-what” and “know-why”. Tacit knowledge, on the other hand, is built up through experience, through the application of skills, and from the observation and interaction with others. Tacit knowledge is more commonly represented in the “know-how” and “know-who” categories.

Skills and knowledge can be acquired through formal (structured and credentialled), non-formal (structured, but not credentialled) and informal (non-structured and non-credentialled) learning processes. Tacit knowledge is primarily acquired through non-formal and informal learning with many employment-related skills developed in workplaces.

These distinctions are important because human capital formation depends on access to both tacit and codified knowledge. The OECD concludes that “tacit knowledge in the form of skills needed to handle codified knowledge is more important than ever in labour markets”. This is not a new concept. The integration of theory and practice has underpinned the apprenticeship model for hundreds of years, and is also reflected in trade and professional certification, occupational licensing, cadetships, internships, clerkships in the legal profession, work placement requirements in teaching and nursing, and the training of doctors and specialists through medical colleges.

Recent research and policies in Australia and overseas has highlighted the importance of employability skills to workforce participation, productivity and to employers' decisions to hire and retain workers.

The Employability Skills Framework developed by the Australian Chamber of Commerce and Industry and the Business Council of Australia set out the following framework for employability skills:²

- Communication skills that contribute to productive and harmonious relations between employees and customers.
- Teamwork skills that contribute to productive working relationships and outcomes.
- Problem-solving skills that contribute to productive outcomes.
- Initiative and enterprise skills that contribute to innovative outcomes.
- Planning and organising skills that contribute to long-term and short-term strategic planning.
- Self-management skills that contribute to employee satisfaction and growth.
- Learning skills that contribute to ongoing improvement and expansion.
- Company operations and outcomes.
- Technology skills that contribute to effective execution of tasks.

The Employability Skills Framework also highlights the following personal attributes that contribute to overall employability:

- loyalty
- commitment
- honesty and integrity
- enthusiasm
- reliability
- personal presentation
- commonsense
- positive self-esteem
- a sense of humour
- a balanced attitude to work and home life
- the ability to deal with pressure
- motivation
- adaptability (ACCI 2004).

Building workforce skills and knowledge

Many of the skills, competencies and attributes outlined above cannot be captured and taught through codified knowledge and formal learning. By their nature, they are often context specific, changeable and derive from experience and interaction with others, particularly in workplace settings.

Those disengaged from the workforce or underemployed are least likely to participate in formal learning and their, at best, intermittent engagement in the workforce deprives them of informal workplace learning from which both specialised and employability skills are developed and refined. Less-skilled workers are also most vulnerable to structural change in the economy and from changing and intensifying skill requirements.

People with low levels of post-school qualifications are therefore doubly disadvantaged by their inability to build human capital through formal learning and through work experience. These disadvantages are then perpetuated across generations through family circumstances, most particularly in families where there is little or no experience of work and low levels of educational attainment and participation. The OECD has concluded that:

Participation in adult education tends to follow closely the patterns of success in initial education, with the alarming result that inequalities among young people grow even wider. The same holds true for participation in job-related training. Employers devote on average significantly more resources for training high-skilled, well-educated employees than others, reinforcing skill differences. The International Adult Literacy Survey also found after controlling for other factors – hours worked, company size, professional grade – that those making greatest use of their skills at work are six to eight times more likely to receive company training than the low-skilled (OECD 2001).

Despite significant improvements in unemployment levels in Australia in recent years, the House of Representatives Enquiry noted that, between 1998 and 2003 there was a 40 per cent increase in the number of income support recipients who had been unemployed for five years or more.

The committee also noted that, although there is evidence that casual work is the preferred working arrangement for certain sections of the workforce, an ABS Forms of Employment survey in 2000 found that 26 per cent of casual employees would prefer to work more hours. ABS data also suggests that casual and part-time workers receive less employer support for training than their full-time counterparts (Parliament of the Commonwealth of Australia 2005, pp. 25–7).

The adult learning and workforce retraining challenge is not just to boost workforce participation levels, but to retrain and up-skill the current workforce to increase retention rates and to boost productivity. Existing workers at all levels will require ongoing access to formal retraining and effective work-based learning to address skills shortages and changing skills requirements brought about by new technology, new work processes, increased compliance and quality assurance requirements, and so that they can contribute to increased productivity and innovation.

However, firms and individuals cannot be expected to meet these challenges alone. Governments must take the lead in terms of strategic leadership, policy settings, and the level and nature of public investment.

Elements of a national workforce development strategy

A comprehensive, national workforce development strategy, agreed to by both the Commonwealth and state governments, must replace the current, woolly rhetoric around lifelong learning, learning organisations and training culture that has characterised approaches in Australia over the past decade. The strategy must set clear targets and span institution, workplace and community-based learning. Highly innovative and flexible approaches are then required to deliver outcomes. Key elements of the strategy should include:

Increased work-based learning

More and more workplaces should be areas where less formal learning can be negotiated and delivered, including literacy and numeracy programs (building on the current WELL program), and programs aimed at building employability skills. This will require a sustained commitment by enterprises in all industries and of all sizes to the ongoing development of their employees and a complementary commitment from employees to their own career and personal development. Partnerships between enterprises and education and training providers will be essential.

Increased community-based learning

Many adults, particularly women, return to learning through community-based providers and often through non-formal learning approaches. Community-based learning providers must be brought into the mainstream of adult learning and workforce development strategies, rather than being consigned to the margins of leisure and hobby programs.

Increased recognition of prior learning

Recognition of prior learning or current competence against an assessment of future skills needs should be the starting principle that underpins adult learning and workforce development programs.

Blended formal and informal learning

A flexible blend of formal and non-formal learning strategies should be used to achieve the required outcomes. Learning and workforce development strategies must be built around the work and family commitments of individuals, and the business processes and imperatives of firms.

Flexible, targeted outcomes-based funding

Funding guidelines and eligibility must be made far more flexible to support outcomes, rather than inputs such as student contact hours, which drive programs towards a classroom-based delivery model. Funding should also be targeted to those with the greatest learning needs; an untargeted approach will most likely widen gaps in participation and attainment levels.

Support for enterprises and individuals

Enterprises and individuals will require advice and support to develop and negotiate approaches and solutions that meet their specific needs.

Better integration of human resource development, innovation, and education and training strategies

Training and human resource development strategies aimed at workforce recruitment, development and retention should be clearly aligned with medium and long-term business planning, and firm and industry-level innovation strategies. Closer links should be built between human resource and education, and training professionals and their networks.

The use of incentives

Individuals and firms will require incentives to participate in these initiatives. Firms cannot be expected to bear the costs of workforce retraining alone. There are substantial externalities involved, including benefits accruing to individuals in terms of improved labour market prospects and mobility. Individuals also face disincentives where their direct investment in, or lost earnings through, training are not compensated for by increased lifetime earnings. Incentives can include free tuition and income support to assist individuals acquire initial qualifications, co-payment arrangements with firms and tax concessions.

Whole-of-government approaches

Whole-of-government approaches are required across Commonwealth and state agencies, linking welfare to work initiatives, community development strategies, innovation and industry policy.

The UK Skills Strategy

The UK government's Skills Strategy reflects some of the approaches outlined above. For example, the National Employer Training Programme (NETP) contains a package of free training in the workplace in basic skills and Level 2 qualifications, designed for employers and delivered to suit their operational needs. The NETP is linked to the full range of business support services, including a national network of brokers.

The UK government also announced that:

Skills for adult learners will be promoted by a clear, attractive ladder of progression which challenges and encourages people to achieve at every level. It will stimulate people's aspirations to progress and fulfil their potential. From 2006/7 there will be a national entitlement to free tuition for a first full Level 2 qualification and new extensive support for learning at Level 3. Adults will be helped to make decisions about their careers and training needs by a new one-stop telephone and on-line advice service (Department for Education and Skills).

It is significant that the UK government's Skills Strategy has the support and involvement of the Department of Trade and Industry, as well as the Department for Education and Skills.

Resourcing the workforce development strategy

In the current resourcing outlook for VET (the sector with primary responsibility for workforce skills development), it is unlikely that there will be an additional investment of the magnitude required to resource such a strategy.

However, much can be done within current funding levels. Existing funding for formal VET programs could be better targeted and directed to programs in areas of greatest need, with increased contributions by those with higher skill levels offset by the extension of the income contingent, deferred payment arrangements under HECS. The current VET fees and charges policies are becoming increasingly inequitable and complex, with increasing fee levels on the one hand and substantial revenue foregone under current, and concessions and exemptions policies (which measure disadvantage at a point in time and have no regard to future income levels) on the other.

The Commonwealth also currently provides in the order of \$200 million in employer incentives for existing workers through New Apprenticeships.³ The system has worked as a surrogate workforce development program in several industries and in many firms. However, the New Apprenticeships are administered through a complex system involving substantial regulation and administrative compliance, which was designed to protect the interests of new parties to a formal contract of training; in particular, young people, but not existing workers.

Employer incentives are too often marketed as wage subsidies, with poor completion rates, little targeting to individuals and firms in areas of greatest need, and complex eligibility criteria. While employees must be signed up under a contract of training, there is no requirement that the incentives are actually used for training and skills development (as the incentive was originally designed to compensate employers for the costs of employing less-productive young people and the time they spent off the job in training).

Funding associated with existing worker New Apprenticeships would be far more effectively used and could reach greater numbers if it was allocated to a national workforce development initiative, based on the elements outlined above. The funding could continue to be paid as an incentive to employers (possibly on a co-payment basis) and more targeted on the one hand, but with more flexible eligibility and outcomes criteria on the other.

However, there is a compelling case for increased public and private investment in VET, with combined expenditure by the Commonwealth and state governments virtually static since 1997, despite substantial growth in participation and the current and emerging challenge to address skills shortages and to boost workforce participation.

Conclusion

There has never been as much public debate and concern in Australia about the impact of demographic change, workforce participation and skills shortages. But policy responses to date have been partial and too often at the level of general rhetoric around the importance of lifelong learning. More focused and determined approaches are required.

A comprehensive, national workforce development strategy should be developed and agreed to by the Commonwealth and state governments. It should be built on, but extend beyond the many successful reforms flowing from the development of the national VET system over the past decade. This is a strategy that encompasses skills and knowledge in all of its forms, and which adopts a flexible demand-driven approach to the acquisition of skills and knowledge by individuals and within workplaces.

END NOTES

- 1 Parliament of the Commonwealth of Australia 2005.
- 2 Other employability skills frameworks have also been developed.
- 3 These calculations are based on estimates prepared by the Office of Tertiary Education and Training in Victoria, and by the author for a Review of Traineeships in NSW.

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odyssey or holy grail?

5

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Introduction

Education is the foundation upon which the life of an individual is built. It is not an event or a series of events; it is not simply the acquisition of knowledge, skills and understanding, although it embraces all of these. The time spent at school is the time in which the individual is shaped or not into a person of character and decency, with a strong set of values and respect for truth and the value of others. It is a progressive and irreversible process, which if successful establishes a basis for lifelong learning. An education is not a service but an odyssey ... Education is the foundation of civil society ...¹

At the beginning of the twenty-first century, Australia:

- lacks an integrated national policy to encourage, finance, provide and reward learning across all the stages of life
- is still debating the merits of continued youth participation in education
- has still not resolved the division of responsibilities and structures to provide skills training
- still regards the adult and community education sector as the virtual Cinderella of education
- has not as yet reached an enduring national consensus about either the right to or the ongoing value of education.

Yet Australia has extremely efficient education systems that have enabled it to achieve very high levels of performance measured against a number of OECD indicators. With only average levels of investment in education, Australia is one of the leaders in terms of the reading, mathematical and scientific literacy of 15-year-olds.² Australia ranks tenth in the OECD for the proportion of the 24–35-year-old population holding tertiary qualifications.³ And we clearly have an appetite for learning, with 1.7 million Australians engaged in some form of vocational education and training.⁴

One consequence of this success, however, is that policy debate tends to be focused principally on the mechanics of educational provision, especially public/private ownership and funding questions. The larger purposes of education and learning, and the value of knowledge and skills to individual welfare, economic prosperity and the social capital of communities tend to be secondary to issues about inputs.

The purpose of this chapter is to ask how adequately Australia is creating the foundations for lifelong learning through senior secondary education, and to look more closely at some of the economic risks and opportunities for individuals to take up formal learning. Detailed attention is paid to the educational participation of young people as schooling and Year 12 or equivalent completion has a significant influence on labour force participation and learning later in life. In essence, in this chapter we ask whether Australia can do better in creating strong foundations for, and continuing investment in, lifelong learning. We propose some directions that might assist the development of national and better integrated lifelong learning policy over the longer term.

Does lifelong learning have a purpose?

As many other contributors to this publication have noted, lifelong learning has important implications for Australia, especially at a time when we face long-term demographic challenges to sustain the supply of skills, knowledge and creativity critical to economic prosperity and growth. This is not just a quantity challenge, but an issue of the quality of the Australian workforce competing in a globalised economy, and the fair and equitable access of Australians to skills and knowledge that drive economic opportunity and success.

“Lifelong learning” has an unfortunate tendency to be reduced to a policy mantra, its meaning so vague and its application so broad that it can be used as a convenient response to numerous issues, including skills shortages, the ageing of the population, and the relentless restructuring of work. It can simultaneously be an enriching and liberating concept enhancing individual potential and happiness, and a regressive imposition that reduces collective responsibility for employability and wellbeing, a tool to pass an increasing share of the risks and consequences of failure on to individuals. It can evoke notions of restless

curiosity and enquiry, and at the same time conjure up images of classrooms as inescapable salt-mines.

These tensions force us to ask the question: is the purpose of lifelong learning simply for individuals to better compete in the marketplace or is it to help citizens make better judgements about society and provide the ability to engage in shaping it?

The OECD suggests lifelong learning serves both purposes:

*For the individual lifelong learning emphasises creativity, initiative and responsiveness – attributes which contribute to self-fulfilment, higher earnings and employment, and to innovation and productivity. The skills and competence of the workforce are a major factor in economic performance and success at the enterprise level. For the economy, there is a positive relationship between educational attainment and economic growth.*⁵

How does Australia perform?

Accepting that lifelong learning plays both an instrumental and affective role, it is still not easy to measure either as a broad concept or as a private or social investment.

The OECD combines a number of indicators – including participation in formal education or training over an age span of 3 to 69 years, literacy standards of 15-year-olds evidenced through PISA surveys, completion of Year 12 or equivalent qualifications, participation in tertiary education, and levels of adult literacy – to monitor member progress on lifelong learning. On assessing these various indicators the OECD rated Australia as neither the best nor the worst of its members in terms of lifelong learning:

*A stocktaking based on data available up to 1999 points to four broad groups of OECD countries. The Nordic countries stand out with good performance across multiple sectors. A second tier of countries – Canada, the Czech Republic, Germany, the Netherlands, and New Zealand – also do well, but have certain gaps or weaknesses in more areas. A third tier, including Australia, Switzerland, the United Kingdom and the United States, is characterised by comparatively uneven performance on the available measures, especially on measures of literacy. Finally, a fourth tier of countries – Ireland, Hungary, Portugal, and Poland – do poorly in comparison to other countries on most measures.*⁶

While Australia does very well in terms of PISA literacy results, tertiary qualifications and participation, it does less well in terms of early childhood education, adult literacy and completion of upper secondary education (Year 12 or vocational equivalent).

Adult literacy is a particularly important pre-condition for the participation of older workers in further skill development, retraining and personal development through formal learning. In the mid-1990s nearly 20 per cent of adults in Australia were assessed in the International Adult

TABLE 5.1

Educational attainment of the 25-to 34-year-old population, 1991 and 2002, percentage with below senior secondary qualifications, by rank order in 2002*

COUNTRY	1991 [†]	2002
Korea	27	5
New Zealand	26	5
Norway	12	5
Japan	7	6
Czech Republic	9	6
Slovak Republic	9	7
Sweden	16	9
United Kingdom	21	10
Poland	12	10
Switzerland	12	11
Finland	19	12
United States	14	13
Canada	20	15
Germany	11	15
Greece	36	15
Denmark	25	15
Austria	21	15
Hungary	23	18
Netherlands	33	24
France	34	21
Belgium	42	23
Ireland	46	23
Australia	43	27
Luxembourg	32	32
Iceland	36	32
Italy	57	38
Spain	60	41
Portugal	79	65
Mexico	84	79
Turkey	78	69
OECD country mean	33	22

* This does not include those with senior secondary qualifications, post-secondary qualifications or tertiary qualifications.

[†] 1995 data for the Czech Republic, Greece, Mexico, Poland, Slovak Republic; 1998 data for Iceland, Japan; 1999 data for Luxembourg

Source: *Education at a Glance*. OECD Indicators 2004, Table A3.4B, OECD, Paris, 2004.

Literacy Study to be at the lowest literacy, Level 1, and a total of 45 per cent at the lowest two levels. Levels 1 and 2 are deemed inadequate for effective participation in modern society. Older Australians with low levels of literacy have relatively few avenues through which they can acquire this skill; they typically receive very low levels of further education or training, either in formal education or in the workplace.⁷

One of the most robust cross-national educational research findings is that the start people experience during their school and college days across all countries tends to exercise a powerful and enduring impact on their subsequent educational careers.⁸

Completion of Year 12 or equivalent vocational qualifications (taken as a Certificate III level qualification, which encompasses many of the traditional trade areas) is vital in the context of lifelong learning. The attributes now attached to Year 12 or equivalent completion – an enhanced capacity to learn how to learn, literacy and numeracy capacity across a range of disciplines and tasks, more intense engagement with ideas and intellectual logic – are increasingly valued by employers, and create a substantive base for future learning. It is a “breakpoint” in terms of further learning, and has effectively become a new educational threshold for individuals, families, employers and communities.

A substantial proportion of early school leavers in Australia experience a troubled transition from school in the short term – more than 40 per cent of the early leavers in 2002 were either unemployed, not in the labour force or working part-time, but not studying in May 2003.⁹ The OECD reports that since 1991 the employment prospects of secondary school completers have improved relative to early school leavers in a number of member countries including Australia.¹⁰ Participation of young adults in work and learning is strongly correlated to educational attainment, with those having higher levels of secondary schooling much more likely to be fully engaged than those completing lower levels of schooling.¹¹

Internationally, senior secondary or equivalent qualifications are viewed as the foundation stone for the continuing development of skills, knowledge and qualities likely to enhance economic growth and innovation. Longer term participation in learning is deeply affected by parental attitudes and behaviour, experiences of school, the influence of peers, and subsequent success or failure in the labour market. Encouraging youth participation in schooling or vocational equivalents is also crucial in limiting the potential skill obsolescence of the future workforce. This, in turn, drives a linked focus for policymakers on improving qualifications, and school completion in particular, school-to-work transitions and investments in education and training.

TABLE 5.2
RELATIVE EARNINGS OF THE POPULATION WITH INCOME FROM EMPLOYMENT
BY EDUCATIONAL ATTAINMENT, PERSONS AGED 30 TO 44, 2002

	BELOW UPPER SECONDARY EDUCATION	UPPER SECONDARY EDUCATION	TERTIARY TYPE B EDUCATION	TERTIARY TYPE A & ADVANCED RESEARCH	ALL TERTIARY EDUCATION PROGRAMS
Portugal	58	100	146	202	187
United Kingdom	68	100	124	181	161
Czech Republic	70	100	151	182	181
United States	71	100	118	196	187
New Zealand	75	100		128	128
Australia	75	100	102	148	132
Italy	77	100		133	133
Canada	78	100	113	178	142
Hungary	78	100	144	203	202
Spain	80	100	95	133	122
Korea	80	100	113	142	134
Germany	80	100	115	154	139
Country mean	80	100	124	159	148
Switzerland	81	100	146	170	161
Ireland	83	100	130	152	143
Netherlands	84	100	131	139	138
France	84	100	129	165	150
Denmark	85	100	113	123	121
Sweden	87	100	105	148	133
Norway	91	100	152	135	136
Finland	92	100	115	171	141
Belgium	95	100	115	162	136

Tertiary Type A represents university degrees.

Tertiary Type B corresponds to Diplomas and Advanced Diplomas and includes Certificate IV and higher qualifications. Many Australian VET qualifications are considered as equivalent to senior secondary education.

Note: The data are for persons aged 30 to 44 – in mid-career after completion of most initial qualifications.

Source: OECD, *Education at a Glance 2004*, Paris. Table A11.1A.

Twenty-five years ago overall school retention to Year 12 in Australia was 35 per cent. The benchmark educational qualification was still Year 10, and 92 per cent of students achieved it. School retention to Year 12 has more than doubled over the past quarter of a century.¹²

However, while Australia's continuing improvement in raising secondary school participation is impressive – the proportion of 25–34-year-olds with below senior secondary qualifications fell from 43 per cent in 1991 to 27 per cent in 2002 – we still have some way to go compared to other OECD countries. On this measure

Australia moved from 25th in 1991 to 23rd of 30 countries in 2002. Table 5.1 provides a snapshot of the relative pace at which countries are raising the foundation level of educational attainment of a significant demographic section of their populations.

Is further learning valuable?

While policymakers might be nervous about skill obsolescence, for many participants in learning their anxiety is related to the cost–benefit dividend of the exercise – is

it worthwhile continuing to attain knowledge and skills through formal and recognised channels?

Some caution needs to be exercised in interpreting Table 5.2. It shows an estimate of the earnings of 30–44-year-olds in OECD countries, relative to the completion of an upper secondary education, in 2002. Countries are ranked in descending order by the earnings disadvantage from not completing an upper secondary education of a population cohort that is so central to productive endeavour in OECD economies. Cautions attached to Table 5.2 include the wide variety of wage- and salary-fixing systems, strength of trade unions, and the incidence of part-time employment in OECD countries.

Nevertheless, it appears that by this stage of life adults who did not complete Year 12, or who did not subsequently return to complete Year 12, face a significant earnings gap, one that appears to be greater in Australia than in most OECD countries. Table 5.2 highlights the

... it appears that by this stage of life adults who did not complete Year 12, or who did not subsequently return to complete Year 12, face a significant earnings gap, one that appears to be greater in Australia than in most OECD countries.

breakpoint potential of senior secondary education, indicating a wide earnings gulf between early school leavers, school completers and tertiary graduates.

Applied Economics has worked with the most recent ABS data (for the year 2000) and made conservative forecasts of the present dollar value of the gap between the anticipated lifetime earnings of Australians with Year 10 qualifications and those with Year 12 qualifications. The estimated gap, using a 5 per cent discount rate, averages at about \$550,000 for males and \$500,000 for females.¹³ This represents a very significant opportunity and future security gap, equivalent to the purchase of a major lifetime asset. It indicates that attainment of Year 12 or an equivalent qualification should be a powerful incentive for Australians, given the relative advantages in employment, income and assets likely to accrue from this threshold qualification.

Important as they are, rates of monetary return are only one component in the range of things individuals consider in making the time, family, social and financial investment in education. People – as young, middle or older aged adults – will weigh many factors as they decide whether to commit to further learning.

However, there is little public information or evaluation to assist individuals to make these decisions. The studies that are available, while hardly exhaustive or definitive, are generally positive about the rate of financial return to be derived from further learning. Borland and Ryan, for instance, indicate that considerable benefits are associated with tertiary education and with participation in VET.¹⁴ Using 1997 ABS data, Ryan estimates that for both males and females there is a substantial return for 35-year-olds undertaking basic and skilled vocational qualifications, studying part-time and working full-time.¹⁵

Some other estimates of the benefits of returning to study in mid-life are not as positive. The OECD has constructed scenarios that compare the rates of return for 40-year-old Australian adults returning to study to complete Year 12 or to gain a post-secondary non-tertiary qualification – and the value to 40-year-olds with Year 12 returning to study to obtain a tertiary-level degree. It estimates that those returning to study full-time to complete Year 12 or an equivalent qualification, whether they bear the tuition costs or not, would experience a negative rate of return.¹⁶ “The negative rates of return are due in large measure to the effects of taxation, as post-tax earnings for those with an upper secondary qualification are below post-tax earnings for those with lower secondary education (although not for all age groups).”¹⁷ By contrast, there are sizeable private rates of return for young people who complete an upper secondary qualification before entering the labour market. In terms of tertiary study there are only small rates of return for 40-year-old individuals to study full-time for a tertiary qualification, and these are lower than if the individual had immediately acquired this level of education from school.

Private rates of return are generally higher when the next level of education is attained at an earlier age, regardless of the level of qualification achieved. This is explained by the longer horizon over which education-enhanced earnings accrue, as well as the lower level of forgone earnings in youth and early adulthood.¹⁸ A number of policy implications arise, including the question of tax incentives to encourage mid-life participation in lifelong learning, measures to improve the opportunities for part-time study and work in mid-life, and steps to improve the educational foundation for lifelong learning through young people completing Year 12 or equivalent qualifications.

Building a strong foundation

Australia can and must do better in providing young people with the foundation base from which lifelong learning can be built. There needs to be a twin-track policy response. One track focuses on continued learning, making this as attractive as possible, whether through continued participation in secondary education or a trade apprenticeship, or another equivalent pathway. A second track needs to focus on much better follow-up and linking of school leavers, especially early leavers, to decent full-time work, apprenticeship and other options. Longitudinal tracking of young people in Australia

TABLE 5.3
SUMMARY OF SIGNIFICANT YOUTH TRANSITION POLICY CHANGES 1998 TO FEBRUARY 2005

KEY ISSUE	NSW	VIC	QLD	WA ¹	SA	TAS	COMMONWEALTH
Review youth transition performance	Part of the Laughlin Review 2005	Kirby 2000	ETRF reviews 2001	Tannock 2003	Future Connect and Making the Connections 2004	State of Learning 2004	Eldridge 2001
Review senior certificate	McGaw	VCAL initiative	Pittman and QSA	Tannock	SSABSA review	TQA: proposed	Proposal for Australian Certificate of Education
Timeframe for action		2000–2010	Current pilots; 2006–	2006–	2004–	2005–	Eldridge pilots 2001–; election initiatives 2006–
New benchmarks and legislation		Year 12 or equivalent targets	Compulsory participation in a broad “Senior Learning Phase”	Proposal similar to Queensland	School leaving age raised to 16	Legislation similar to Queensland	Youth Allowance dependent on participation status
Education/Training Guarantee		Some elements	Yes	Yes	Some elements	Yes	
Increased funding		\$132M ²	\$135M ³	\$182M over 5 years	\$28M over 3 years	\$21M over 4 years	\$55M + \$1064M 2005–08 election commitments ⁴
VET initiatives ⁵	HSC possible thru TAFE	VCE possible thru TAFE	School–TAFE parities				SBNA; Australian Technical Colleges; extend Youth Allowance; pre-voc places
Alternative learning settings ⁶	Links to Learning; new alternative schools strategy	VCAL; Cole review	Flexischools; Learning Place; and other initiatives	Not a specific focus	Support for local initiatives	Senior colleges, many local alternatives	POEMS
Customised support ⁷	School-based mentoring; Ready to Work; careers teachers	MIPs and On Track Connect	Youth coordinators	100 training mentors promised	Transition brokers	Youth coordinators	JPP, CATS pilots; Mentor Marketplace; ANICA
Student tracking and monitoring	Local initiatives	On Track reporting	Mandated: unique identifier in development	DET surveys; proposed school monitoring	New “data warehouse”	Statewide tracking	Requirement of some programs
Community partnerships ⁸	LCP partnership with Commonwealth	LLEN	ETRF clusters	LLEPs	ICAN	Promised	ECEF closed, LCPs: Youth Commitment & ICYS pilots
Youth employment initiatives	“Skill eco-system” pilots	Local government program	ETRF; Breaking the Cycle		Employment program review; state traineeships		Recent improvements to Job Network assistance; Work for the Dole

1 Gallop government policy commitment, *It Pays To Learn*, during 2005 election.

2 VLESC figure, funding LLEN, MIPs, VCAL, On Track over three years.

3 Estimate of 2004–05 funding for education and training reforms for the future: additional funding to be announced in 2005 state budget.

4 \$55M estimate includes post-Eldridge funding for CATS. POEMS, ICYS over three years; Mentor Marketplace, additional funding for ECEF, including Youth Commitment pilots; DOTARS Sustainable regions funding for Youth Commitments, and recent career education initiatives, some will also involve considerable state contributions, e.g. Australian Technical Colleges.

5 SBNA: School Based New Apprentices

6 POEMS: Pathway Outreach Education Model (in effect, alternative education sites and settings); VCAL: Victorian Certificate of Applied Learning.

7 ANICA: Australian Network of Industry Career Advisers; MIPs: Managed Individual Pathways; JPP: Job Pathways Programme; CATS: Career and Transition Support.

8 Innovative Community Action Networks.

consistently shows that early leavers in full-time work for the first year after leaving school are less likely to be unemployed or to have dropped out of the labour force during their mid-20s. A troubled transition from school is likely to diminish the appetite for learning later in life.

For some years Australia has been in the grip of a quiet revolution aimed at carving out these tracks, most particularly strengthening the provision of senior schooling and vocational pathways. Some of the major steps are summarised in Table 5.3 and include:

- Queensland, Tasmania, Western Australia and the Australian Capital Territory committing to a learning or training guarantee for young people up to the age of 17 years
- all governments recasting senior certificates or Year 12 qualifications
- introducing mentoring and customised support for young people in transition
- making a priority of VET in schools
- paying attention to alternative and more inclusive learning settings in the middle years
- providing new moneys to do many of these things.

It is fair to say that a significant transformation in the social contract with young people about their learning and educational foundations, and the level and depth of support offered them during transition from school, is taking place in Australia.

The rich diversity of initiatives also brings an emerging risk of policy fragmentation and fractured effort. Few initiatives are being enacted in concert between governments, and sometimes within government agencies. National benchmarks of performance will be hard to

At the moment the provision of face-to-face and online careers counselling and transition support tends to be haphazard, with wide variations from school to school and from state to state.

achieve and to measure. At the macro-level national leadership, agreement on common objectives, and pooled funding between governments, will be required to maximise the dividend from these reforms.

At the local level, the provision of timely and accurate local data, research and resources to enable schools to assist “at-risk” students within school and once they are beyond the school gate will be needed. A particularly

important step would be to provide all middle and senior school students with comprehensive careers advice and guidance, as well as access to case management and mentoring for those “at risk” during the transition from school. At the moment the provision of face-to-face and online careers counselling and transition support tends to be haphazard, with wide variations from school to school and from state to state.

The recent ACER–Smith Family survey of more than 3000 financially disadvantaged students in Years 8 and 9 provides a timely wake-up call about the importance of careers education advice and guidance. A particularly important finding is that a third of students in the study planned an education future that would be too low for the occupation they would like at age 25, with the associated risk that this group will be unprepared for the learning challenges they face in future years. The ACER–Smith Family conclusion that a sizeable proportion

To be truly competitive in a globalised economy, Australia needs to look beyond its rich lode of commodities to further developing the depth and ingenuity of its human skills.

of students, “do not properly understand routes into the world of work – they do not know how to get to where they want to go” is another reminder of the necessity to provide deeper and richer vocational education in schools and much improved transition support.¹⁹

Investing for further gains

To be truly competitive in a globalised economy, Australia needs to look beyond its rich lode of commodities to further developing the depth and ingenuity of its human skills. One critical way of doing this would be to ensure a greater proportion of young people achieve a threshold Year 12 or equivalent qualification.

To move the current Year 12 or equivalent completion rate from roughly 80 per cent of 15–24-year-olds to 90 per cent by 2010 would mean engaging approximately 50,000 additional young people to stay at school or take an apprenticeship pathway. New modelling by Access Economics estimates this approach would have a substantial impact on economic growth, adding about 1.1 per cent to GDP by 2040 by improving productivity and having a positive effect on labour force participation. The cost of providing the additional education and training places required – about \$420 million in today’s prices – would be more than offset by a bottom line improvement in the federal budget of about \$1.8 billion in today’s prices.²⁰

In terms of dealing with the economic crunch likely to accompany the long-term demographic squeeze facing Australia, this policy option must be among the suite of responses that governments consider. Access Economics says that to gain a comparable GDP impact, Australia would need to increase its annual migration intake by

If learning is to become as important to Australians as work, family and sport, we will need to be smarter about the opportunities we create.

nearly 5000 additional migrants, or 178,200 migrants over the period to 2040. Alternatively, achieving the same GDP impact would require increasing the workforce participation rate of older workers by 6.6 per cent from nearly 53 per cent to 59.5 per cent. This is no mean feat.²¹

Conclusion

Beyond numbers, dollars and forecasting, if lifelong learning is to be an odyssey rather than a Holy Grail, such learning will rely on people – learners and teachers, parents and employers, policymakers and their masters – and their creativity. In a sometime rational world the siren call of learning will have to make cents/sense. This will be an important criterion for many people in answering the call. For others it will be about personal fulfilment, new trajectories and potential careers, life changes and sea changes.

If learning is to become as important to Australians as work, family and sport, we will need to be smarter about the opportunities we create. An obvious example would be to create a convertible entitlement to the hard-fought for but now under-used provision of long service leave that would enable individuals to engage in formal learning as they accumulate years of employment service.

If lifelong learning is to become a truly progressive and irreversible value in this country, it will become necessary to widely enshrine rights to learning and to literacy: in workplaces, communities and legislation. Cinderella might yet be welcome at the ball. And guaranteeing young people access to a foundation level of learning – expressed even if awkwardly through a Year 12 or equivalent qualification – would then have some meaning.

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changes

AND RESPONSES REQUIRED BY THE

higher education sector

6

PAT MCCARTHY

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Pat has a 40-year corporate employment history. He was a senior executive with Australia Post, where for more than 20 years he directed national change programs that spanned its \$4.16 billion business in its letters, parcels and logistics, retailing and financial services markets.

Pat's work at Australia Post has been documented and presented in the press, at national and international conferences, and in published texts. His expertise is in the areas of organisational development and change; information and its relationship to organisational structure, culture and business thinking; technology introduction; workplace reform and the practice of the internal consultant. Pat has been significant in the public and business arena, promoting interest in the fields of population ageing and productivity; and has advised, reviewed and supported initiatives developed by government, industry and other bodies.

Introduction

Higher education operates in two markets: education, which is largely driven by an individual's assessment of financial and other costs of education compared with projected benefits, and targeted training and development, which is initiated and driven by employers.

While higher education in Australia has a track record of meeting many of the articulated needs of its young people and employer markets, it has not been successful in cultivating broad community acceptance that higher education should be a key contributor to lifelong learning. This chapter explores the nature of some of the complexities behind this reality, which is not unique to Australia.

Breakthroughs in respect to lifelong learning are unlikely to come from changes in the offerings given by higher education. There also needs to be changes to the patterns of learning shown by individuals as they age and in the complementary workplace changes that support lifelong learning. It has been argued that there is significant need for such learning through higher education, but that there has been little progress.

The requirement for lifelong learning has been stated forcefully since the 1970s, when educators and policy-makers in many countries began to write about this phenomenon (Candy, Crebert and O’Leary 1994). The arguments include the need to respond to the developments in knowledge/information-based societies, rapid changes in technologies and consequential changes to

The requirement for lifelong learning has been stated forcefully since the 1970s, when educators and policymakers in many countries began to write about this phenomenon.

work and careers. Such changes will be affected by declining birthrates and population ageing with its negative impact on future GDP. An increase in the number of high-skilled jobs, resulting in a greater proportion of individuals employed as professionals, managers and para-professionals is also anticipated (Roussel 2000).

Despite such seemingly irrefutable arguments, little progress is apparent in the promotion of continuous upskilling through higher education, either in Australia or elsewhere.

As long ago as 1994 it was claimed that “Australia is not alone in confronting the requirement for a more flexible and adaptive education system ... we must stop talking about lifelong education and do something – preferably something comprehensive and high profile – about it” (Candy, Crebert and O’Leary 1994, p. 26).

More recently, an annotated bibliography of 224 separate reports and research papers (DEST/AG) concluded that the meaning of lifelong learning is “mainly assumed”; that the term has “rhetorical power” is some-

thing of a “motherhood statement”; and that the confused term and concept have informed debate, policy and human resource management. This is not a simple problem to correct. On the one hand, it is desirable to encourage multiple interventions by a diverse range of people, while on the other hand, definitional clarity and a national and strategic approach to establishing priorities seems necessary for progress.

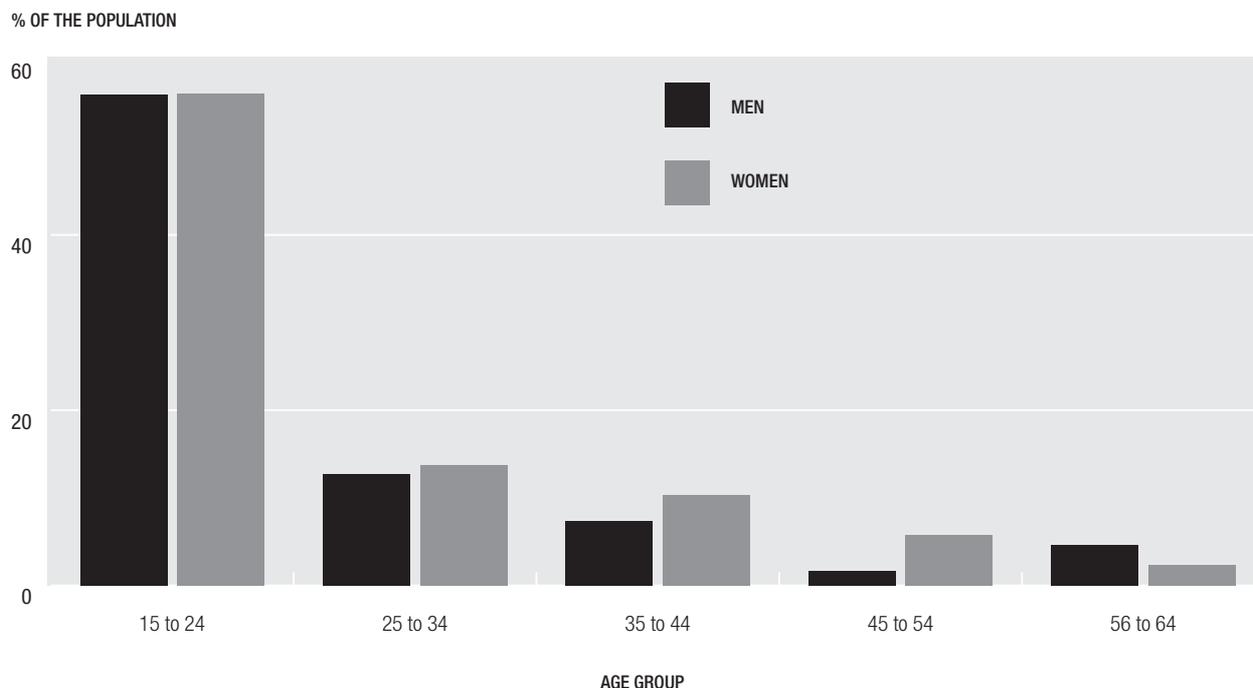
The individual and lifelong learning

Gail Sheehy’s best-seller *Passages* describes the natural progression of people through life, whereby they acquire knowledge and learn new skills from their experiences during childhood, teenage, career and family development, and other life-stage journeys. This learning takes both informal and formal forms. Roussel (2000) points out that this is illustrated by the 1997 ABS Household Survey, which showed that most Australians undertake some form of education and training each year, but it is largely through informal methods such as asking questions or being shown how to do their job.

Knapper and Cropley (2000, p. 47) describe a lifelong learner as an individual who is keenly aware of the link between learning and life, and who is highly motivated to engage in the process of learning. In doing so the individual gains the necessary confidence and learning skills. Knapper and Cropley’s discussion encompasses both lifelong learning and life-wide learning, which emphasises the breadth of opportunities for learning. They list the required skills for learners as including:

- planning and monitoring their learning
- engaging in self-evaluation and reflection
- assessment that focuses on feedback for change and improvement
- active, not passive, learning
- learning in formal and informal settings
- learning with and from peers
- locating and evaluating information from a wide range of sources
- integrating ideas from different fields
- using different learning strategies as needed and appropriate
- tackling real-world problems
- stressing process, as well as content.

FIGURE 6.1
PARTICIPATION IN FORMAL EDUCATION BY AGE AND GENDER



Source: ABS (2001) *Education and Training Experience*, ABS CAT NO: 6278.0

For most people in Australia, formal education peaks at about the age of 24, with very little occurring beyond that age. This is illustrated in Figure 6.1.

Although there is a good deal of evidence that confirms a substantial improvement in Australia’s knowledge base over the years, as measured by the ABS human capital and innovation and entrepreneurship indicators, measures are not age-specific. Either those aged 15 to 64 are grouped together, or age is not mentioned at all. When this is considered after viewing Figure 6.1, it seems likely that learning through formal education by people over 25 years has not been a significant contributor to improvements in Australia’s knowledge base.

The barriers to learning and development for people over 45 have been reported by the ABS in broad terms (see Figure 6.2). These include work and time pressures, family, finance and course-related reasons.

Useful as these figures are, some additional information is required to gain a full picture of the reasons for failure to participate. For example, some reasons, although smaller in percentage, may be more significant than those noted above. Some of these are discussed below. They include considerations such as perceived career plateaus and declines, age-based discrimination in the workplace, and the impact of perceived lack of control over their work. These are possibly grouped under “Lack of employer support” or “Other work-related reasons”, or may not be included at all because respondents may not have identi-

fied or understood these issues as significant. The relationship between “Financial reasons” and course-of-life events that compete for an individual’s available funds begs many questions. “Course-related reasons” may or may not include feelings of not fitting into university, feelings of alienation through a lack of prior exposure to it or insufficient personal confidence. More data and deeper analysis is required before a sufficient understanding of the issues exists to plan for improvements that minimise the risk of interventions that are based on incorrect assumptions.

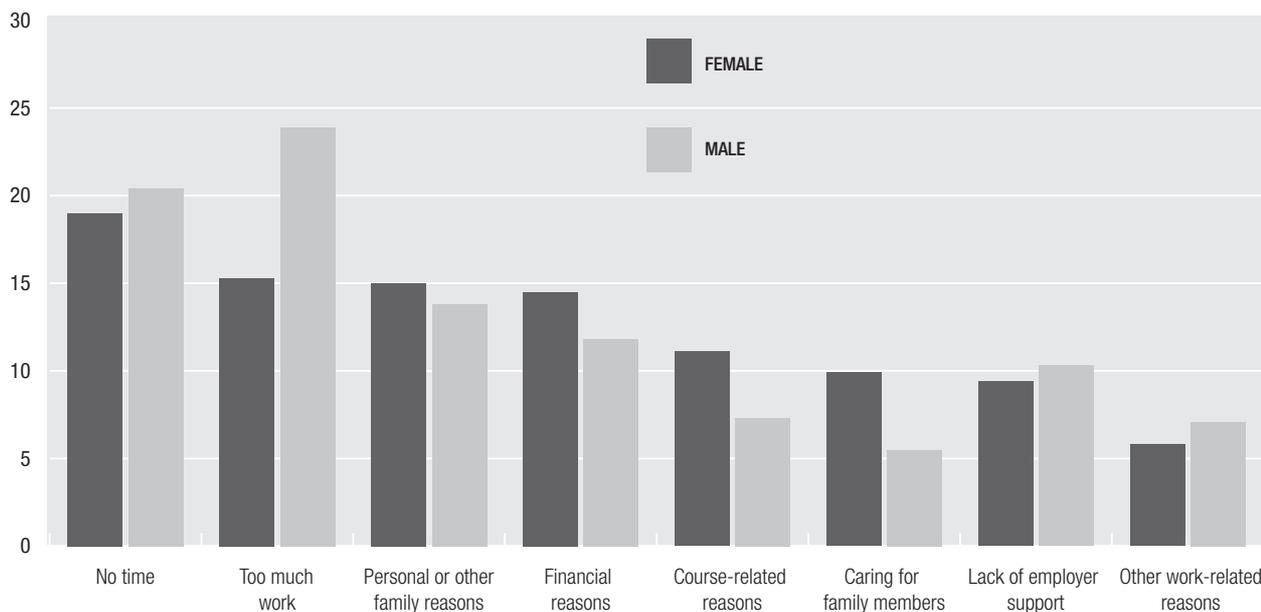
Decisions not to engage in further learning are often of a very personal nature. According to Roussel (2000), an individual’s own “cost–benefit analysis” is involved. An analysis of non-participation through the eyes of people who have chosen not to use higher education institutes as their supplier of lifelong learning may provide new ways of dealing with this problem. So far, an extensive literature search has failed to uncover qualitative research of this nature.

A study undertaken within the Information Technology Division of Australia Post (McCarthy 2001, 2002 and 2003) provides a practical example of life stage issues and insight into personal cost–benefit analysis. The Australia Post study found that technical people with leading-edge IT skills had great difficulty maintaining their skills at this level beyond age 30. Participants in this study referred to the rate of change occurring within the IT industry, the fact that they had experienced the excitement of being at the cutting edge a

FIGURE 6.2

THE MAIN REASONS WHY PEOPLE OVER 45 DON'T PARTICIPATE IN EDUCATION, DESPITE WANTING TO

PERCENTAGE AGED 45 AND OVER (%)



Source: ABS (2001) *Survey of Education and Training*, ABS CAT NO: 6278.0

few times, and they referred to the level of personal commitment required for them to remain current. This personal commitment to skill maintenance was impacted by life stage issues, such as the desire to develop a relationship or family. In addition, general management and associated leadership positions received higher levels of remuneration. This, as a consequence, streamed people away from technical roles.

The supply of appropriate IT professionals as the workforce ages at a time of diminishing birth rates, is worthy of deep thought and potentially represents a major risk to employers who are IT dependent.

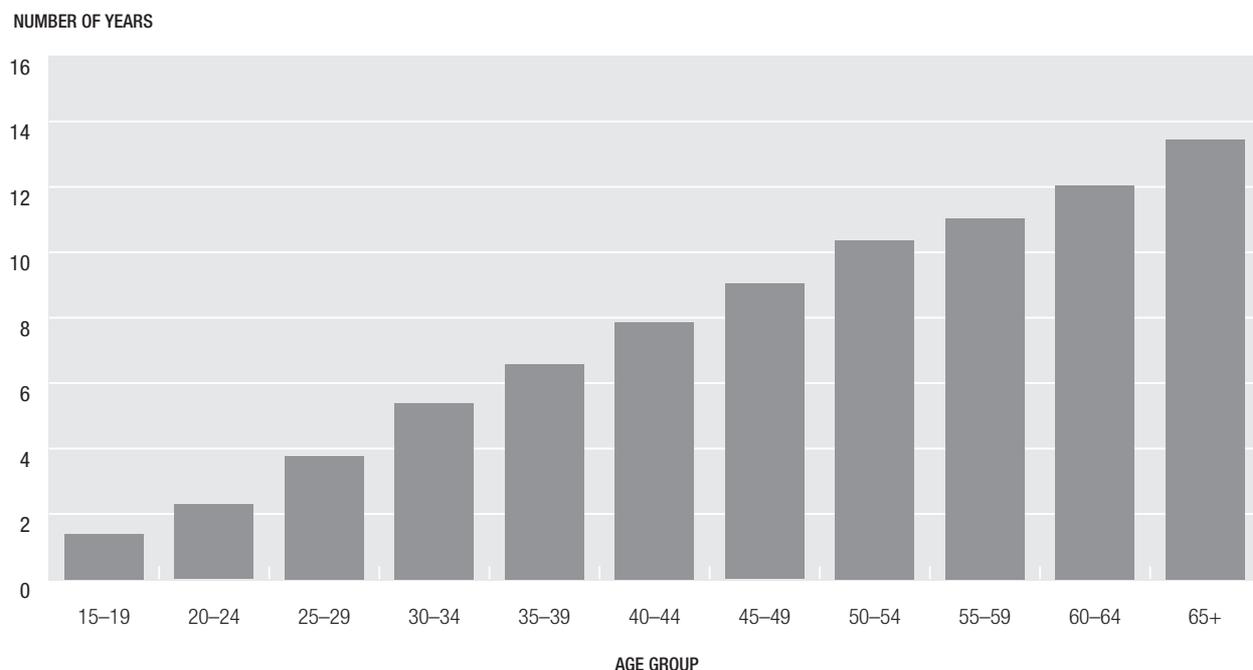
For example, it can be said that there are four broad versions of “software” for a system. The first version is highly creative, high-risk, adrenaline-driven through budgets, time lines and specification changes, and typically very suitable to the young with high-skill currency. The second version refines the first, after the system becomes operational. Over time, system requirements change more substantially. Version three of the software seeks to address this. Around this time the system begins its progression to a legacy system requiring technical knowledge that is dated. The obvious questions are: Who in the future will supplement the diminishing pool of young people with the cutting-edge skills required for developing versions one and two software? Will older people possess the skill currency and ambition required for the stressful and risky creative work inherent in versions one and two software development, particularly while remuneration systems

encourage different endeavours? Will the organisational reward system encourage individuals to maintain technical skill currency throughout an extended career? This technically skilled labour supply issue potentially extends beyond the discipline of IT into other technical fields.

The nature of employer support is significant. Higher education will not be a successful provider of lifelong learning without supportive workplaces: from financial support to the work environment, including the nature of supervision and whether age-based discrimination, so prevalent in society and business, applies to the individual’s workplace (Human Rights and Equal Opportunity Commission 2000). Age-based discrimination often manifests in the lack of future career and development opportunities. This is a powerful disincentive to learning in higher education. Age-based discrimination by employers is difficult to address, as studies have shown that employer attitudes towards older workers are generally consistent across countries, industries and type of employment (Bitman, Flick and Rice 2001). Such discrimination against older workers is a crippling disincentive to pursuing formal learning through higher education.

Another disincentive may be the nature of the job itself. A large survey of Italian workers indicated that 40 per cent of those interviewed described their jobs as “passive” (Cesna 2004). This means they felt a lack of control over their job. A large amount of research has led researchers to assert that “lack of job control” is the cause of individuals coping poorly with job stress and the

FIGURE 6.3:
THE DURATION OF CURRENT JOBS ACCORDING TO AGE GROUP



Source: ABS Statistics, *Labour Mobility*, February 1998

resultant health disorders. Schaubboeck and Merritt (1997) contend that this leads to lack of motivation to perform or develop in the job.

Relevance is another consideration. A research project by Eraut et al. (1998), reported in Gallacher and Reeve (2000), studied the development of knowledge and skills in employment by 120 people from a range of occupations and levels. They found “that formal education and training provided only a small part of what is learned and used at work” (Eraut et al., reported in Gallacher and Reeve 2000).

Eraut et al.’s project also suggested that learning depends “primarily on the learners’ confidence, motivation and capability. Which in turn depends on the nature of the work itself (i.e. its degree of challenge) and the ‘microculture’ of the work environment, including how they are managed” (Eraut et al., reported in Gallacher and Reeve 2000).

A lack of career prospects is an important disincentive. A study at Australia Post’s headquarters, involving 40 volunteers over the age of 40, found that up to 70 per cent described their careers as having either plateaued or entered a phase of decline (McCarthy 2003). This was an elite, mainly tertiary-educated group.

Another factor is that as people age they remain longer in the same job. This possibly impacts upon their perceptions about their need for lifelong learning, and also what type of learning they might desire to undertake.

Figure 6.3 shows that job tenure expands from an average of 1.4 years for 15–19-year-olds to 13.45 years for employees at age 65+.

The job-related factors listed above are a powerful disincentive that work against the maintenance of skill currency and further skill development. They represent significant challenges to any attempt to change current learning behaviours. Fundamental changes in work arrangements and employer support will be required and individuals will need to believe that the attitudes of their employers towards their work and career prospects are not clouded by age-based discrimination.

Higher education’s response to lifelong learning needs?

Higher education in Australia is subject to extreme competition. This partly influences direction and possibly results in a sameness of offerings as fees are driven down and clients compare the education options offered by others. Australian and overseas universities compete for market share with a range of private and expert providers.

In recent times universities have developed strong strategies to respond to market pressure. This means involving employers in ways that include:

- mission statements which seek to focus the institution on relevance to the needs of clients
- marketing departments which energetically present offerings to them in response to their requests

TABLE 6.1

THE ORGANISATION OF HIGHER EDUCATION – FROM TRADITIONAL TO LIFELONG LEARNING MODES

TRADITIONAL MODE	LIFELONG LEARNING MODE
Restricted access	Open access
Admission only with academic credentials	Assessment of prior learning
For the young only	For the young and adults
Selection for excellence	Learning opportunities for all
Undergraduate-centred	Wide range of programs
Full-time studies	Full-time and part-time learning
Campus/classroom-based, on-site studies	Also off-campus/distance studies, self-learning
Linear studies with final examinations	Module-based curriculum, credit system
Discipline oriented, curriculum-centred organisation of studies	Problem(-solving) and competence-oriented, student-centred organisation
Degree studies	Degree and non-degree studies
Focus on initial higher education	Includes higher education
Non-diversified system of higher education	Diversified system of higher education
Question: What university did you attend?	Question: What did you learn at your university?

Source: Adapted by Schuetze and Slowey from S. Yamamoto (2001)

- programs which are reviewed in multi-disciplinary ways with industry input on review committees
- program advisory committees which are populated by a mix of academic and employer representatives
- adjunct staff from industry to support academics in delivering programs
- short courses – customised and executive programs – delivered in response to community and industry needs. Many programs offer contextualised learning for particular employers
- opportunities for part-time, long-distance and work-place learning.

Despite these considerable initiatives that universities use to make themselves employer-relevant, they still fail to provide lifelong learning and re-skilling options to the mass market.

Possible explanations include a mismatch between what employers and employees say they want, and what universities appear willing to provide. For example, external people who become involved with university committees and endeavours are arguably supportive of universities to the extent of approving such programs. Certainly, they are not intimidated or alienated by universities. In such circumstances the risk is that employer representatives become “rubber stamps” who endorse no change, while appearing to provide an employer perspective.

The gatekeeper university committee systems, with their emphasis on traditional offerings and consensus decision-making, are a challenge to flexibility and rele-

vance. An important consideration is that people with limited exposure to the university system may not feel comfortable in approaching it for their lifelong learning needs, particularly in light of prior learning. Marks (2000) studied the lack of participation by working-class adult males in Merseyside (UK). He believes a history of distrust and anti-educational culture is “born as much out of the structural failings of the education system on working-class life in general as it is out of some cultural rejection ... education thus comes to be seen as not for working-class children, not something the system is capable of offering them” (p. 4). It is arguable that a similar situation could apply in Australia and that similar studies of this nature are required of Australians who do not participate in higher education.

It is evident that as organisations define their needs for lifelong learning in the information age with its complex interdependencies and unpredictability, multiple perspectives, rapid changes in technologies – including ever-emerging Internet-inspired possibilities – and new problems, it is unlikely to take the form of traditional academic programs. Various changes might be required. For example, Schuetze and Slowey (2002) argue for new methods of assessment and recognition of achievement, changes to methods of instruction, and the time and place of it. Their paper contains a comparison of traditional and lifelong learning education. (See Table 6.1.)

It is a serious challenge for universities to maintain the best of traditions while at the same time becoming increasingly flexible and relevant to the rapidly changing needs of learners and industry.

United Kingdom: Moving from an elite to a mass system of higher education

Gallacher and Reeve (2000) provide a comprehensive description of United Kingdom (UK) government policy initiatives during the 1980s and early 1990s. These were directed at bringing higher education closer to the needs of the economy. The government sought to restructure the economy in line with international competitiveness and encourage changes to higher education to make it more accessible to the wider community and more relevant to employer needs. It “can be seen as part of the move from an elite to a mass system of higher education” (Gallacher and Reeve 2000, p. 1).

Work Based Learning Projects (WBLs) were undertaken in 60 universities throughout the UK in the late 1980s and early 1990s with the objective of maximising individual potential and providing industry with the skills it needed. These projects were government-funded initiatives directed at encouraging change in universities towards greater work skill relevance. Significantly, there appears from Gallacher’s and Reeves’ account, to have been a funding bias towards post-1992 universities.

Gallacher and Reeve contend that these projects began to show how workplace learning differed from traditional academic programs. The projects placed:

- new emphasis on experiential learning
- emphasis on flexibility in mode of delivery: distance learning and learning in the workplace
- emphasis on the idea of assessing and accrediting work experience
- emphasis on “the idea of integrating non-traditional industry content with academic programs” (Gallacher and Reeve 2000).

Among other things, these initiatives diverged from “traditional disciplinary knowledge” (Gallacher and Reeve 2000) and sought to embrace workplace realities that suggest more flexible, non-linear responses. In today’s workplace, the environment is buffeted by constant change, unpredictability and chaotic situations. In these workplaces, knowledge is “multi-variant, unsystematic and even anti-coherent” (Scott 1995, in Gallacher and Reeve 2000).

Gallacher and Reeve assert that similar initiatives were being pursued in many countries, but that the overall impacts in the UK were limited at the time of writing. In support of this view, they refer to a review by Brennan and Little of 38 projects funded between 1990 and 1996 that found very limited evidence of progress. Gallacher and Reeve report the academic doubts concerning accrediting experiential and work-based learning rather than disciplinary knowledge, and the doubts among discipline-based academics about the appropriateness of developing curriculum around non-traditional subject matter.

In Australia there has been a similar response concerning the experiences reported by Gallacher and Reeve, which are directed at higher education becoming more market driven, commercial, relevant and flexible. In common with the UK, Australian institutions encounter conflict when faced by the need to respond to changing customer needs, while at the same time maintaining integrity, through traditional approaches, which reinforce historic academic and research standards.

Difficulties in industry specifying learning requirements

A significant challenge to universities is their ability to define client needs and to avoid distraction in satisfying poorly thought through employer–user requirements. One issue is that training and development is rarely the primary task of any organisation. It is expensive and its benefits are often hard to measure.

The training and development specialist people within the human resources function are, typically, responsible for articulating an organisation’s learning needs. In practice, however, most managers through the organisation have a view about training and development needs, which they articulate, and which is often accepted, even though this does not always coincide with the views of training and development specialists. Often within the organisation, political factors, financial considerations, skill and time shortfalls impact the quality of thought and outcome regarding training provision.

An organisation’s training and development needs are always difficult to establish. The skill and thinking power of the project team undertaking the needs analysis, political agendas, group think, all play a role in making the task difficult and can result in sub-optimal specifications.

Behavioural psychology has produced much evidence to support the conclusion that there are severe limitations on the thinking and reasoning power of the human mind (Riddalls and Bennett 2003). This body of research, known as bounded rationality, has been defined by Nobel Prize winner Herbert Simon:

The capacity of the human mind for formulating and solving complex problems is very small compared with the size of the problems whose solution is required for objectively rational behaviour in the real world or even for a reasonable approximation to such objective rationality (Simon 1952, in Riddalls and Bennett 2003, p. 414).

Put another way, people experience great difficulty in envisaging much beyond what they know, and this is a practical constraint on the ability of employers to specify learning needs. This situation is exacerbated further through confusion when there is debate within the community and media about the nature of necessary learning or related change required. Opportunities for significant change to established practice with regards to lifelong learning would seem to be severely limited.

When the issues of bounded rationality are combined with the problems of diffusing change across universities and society, the difficulties of enabling higher education to be a significant and effective provider of lifelong learning become even more formidable.

Conclusion

There are significant community and economic reasons to promote lifelong learning through universities as a way of managing and optimising the opportunities flowing from the increased knowledge, complexity and new challenges emanating from the information age. Nevertheless, despite more than 30 years of research on lifelong learning, and the role of higher education in it, universities in Australia are not significant providers. Fundamental changes to custom and practice are necessary at the university, business and community levels if universities are to be significant providers of lifelong learning.

A community-wide behavioural change program of this nature is highly complex. Success will require the energetic involvement of powerful people from all stakeholder groups combining to design a holistic but prioritised and targeted change management and implementation strategy.

Additional insight, through the eyes of individuals who do not use higher education for lifelong learning, is needed to inform such a change strategy. We need a greater understanding of the nature of the disincentives that lead individuals to avoid higher education as a vehicle for lifelong learning. This needs more in-depth analysis than is currently available. Issues for further study include:

- the significance of financial and other costs in decisions made by individuals who decide not to utilise higher education for lifelong learning
- the nature of employer support – specifically, disincentives to lifelong learning through age-based discrimination at work and the nature of work, focusing particularly on “passive jobs” and the nature of supervision
- the potentially alienating consequences of university prerequisites and the lack of recognition for work–life learning
- the nature of higher education offerings – the research indicates a need for more flexible, shorter duration offerings that are relevant and accredited in new ways
- greater desegregation of statistical information to allow a more precise understanding of the age at which people undertake, or do not undertake, higher education.

Although the scope and complexity of change is daunting, improvements to current learning practices will ultimately occur because there is an essential need. New ways will be found to leverage off current practice and

innovation. Who knows, perhaps employers will introduce dual job titles as hospitals and the medical profession have. Imagine a corporate position that holds the dual titles of chief finance officer and professor of finance.

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THE ROLE OF EDUCATION IN

preparing for **lifelong** learning

ADRIAN BEAVIS

7

GEOFF MASTERS

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As well as being a consultant to education bodies in Australia, Professor Masters has been a consultant to school systems and examinations agencies in North America and South-East Asia. He developed the partial-credit model that is widely used throughout the world in contemporary test development and analysis in education and psychology.

Introduction

This chapter has been prepared in response to concerns about the shift in the demographics of the Australian workforce – as the population ages, fewer young people will be available to replace retiring cohorts. One possible solution is to encourage older people to stay in work. This solution implies that there will be an increased need for people to keep learning in order to stay abreast of changes in work practices.

It is also clear that the Australian world of work now requires, on average, higher levels of skill than it did ten or so years ago (see Appendix 7.1 on p.58). From a policy

Educational institutions are seen as being an important element, not only in the provision of learning and training, but also in developing employability and occupation-specific skills.

perspective, it seems prudent to assume that this trend is likely to continue, reinforcing the need for a lifelong learning orientation for all new entrants to the world of work.

Educational institutions are seen as being an important element, not only in the provision of learning and training, but also in developing employability and occupation-specific skills. To provide these, education institutions need to know what leads to increases in employability and what skills are needed if this employability is to involve ongoing learning.

Numerous attempts have been made to identify the competencies required for people to be employable, lifelong learners. In Australia, one of these attempts led to the development of the Key Competencies (The Mayer Committee 1992); similar work can be found in other countries (for example, the UK Department of Employment 1995). More recently, the OECD has produced three categories of competencies underpinning personal, social and economic wellbeing (Rychen and Salganik 2003).

These various attempts at defining competencies are typically vague, couched in a set of assumptions about

work and its complexity, the nature of society and what it ought to be like, and what – in broad outline – the future will be. The proponents of these competencies acknowledge this uncertainty. As the OECD notes:

... cultural, situational, and other contextual factors shape the specific nature of the demands that must be met. The specificities and relative importance attributed to key competencies ... may be influenced, for instance, by the state of urbanization, cultural norms, technological access, social and power relations, and public order (2003, p. 4).

Given these vagaries and complexities, any argument about the possible role of schools in lifelong learning necessarily must be cautious in its conclusions.

Allied to this uncertainty is the range of meanings ascribed to the notion of “lifelong learning”. There is considerable debate about what is meant by this term. For example, Axford and Moyes (2003) identify three views of lifelong learning: (1) learning as empowerment, (2) learning and education and training structural reform, and (3) learning and labour market reform. According to Axford, this last view is driven by a perceived need to adjust to changing demography and global economic relations. We focus on lifelong learning in terms of education and training links with employment destinations (Axford and Moyes 2003, p. iv).

Therefore, we do not dwell upon the ways in which schools can provide a learning environment conducive to the development of lifelong learning. It may be of interest to note, however, that schools do have an impor-

It may be of interest to note, however, that schools do have an important role in establishing an orientation towards lifelong learning.

tant role in establishing an orientation towards lifelong learning. As Bryce and Withers (2003) have shown, schools can provide a learning environment that is conducive to the development of lifelong learners by assisting students to develop (1) “metacognitive skills”, (2) information literacy, (3) planning and organisational skills, (4) curiosity, and (5) the capacity to work with others.

Overview

The argument we make here is based on the view that if people are to have an orientation towards lifelong learning in their work, they should work in jobs for which they are best suited. A well-fitting job is one that is of interest to the person and for which he or she has the appropriate level of ability. If there is a good fit between the person and the job, then the person will be more likely to be engaged and predisposed towards learning (Jackling 2000), and will be more capable of this learning. There is also evidence that a good fit between person and job leads to superior work performance (Holland 1997, p. 155).

Schools (and other educational institutions) play a central role in matching people to jobs. First, they cultivate and support the development of vocational interests. There are strong continuities between the school subjects young people choose, their preferences for particular fields of

There are strong continuities between the school subjects young people choose, their preferences for particular fields of study in higher education, and the types of work for which they aspire.

study in higher education, and the types of work for which they aspire. These continuities occur because, in large part, they are an expression of underlying traits – individual interests. Second, schools help fit people to jobs by helping students to understand the range of their abilities.

It is our view, therefore, that if the answer to skill shortages is to be found in encouraging lifelong learning, the most effective contribution schools can make – beyond the provision of numeracy and literacy and encouraging an orientation to lifelong learning at school and beyond – is to:

- provide students with the opportunity to choose school subjects or fields of study which most engage them, and to support students in their engagement
- help students to identify the range of their abilities.

If schools do this, then they provide students with the greatest opportunity to take up work which best matches their interests and abilities. If young people fit their jobs well, they will be more likely to be effective lifelong learners.

The world of work

There are many ways to divide up the world of work.¹ We describe the world of work in terms best suited to understanding the nexus between education and work – via the work of John Holland (1985; 1997). Holland is a vocational psychologist interested in understanding how, and why, individuals choose their careers. It is this concern which also lies at the heart of our argument about lifelong learning.

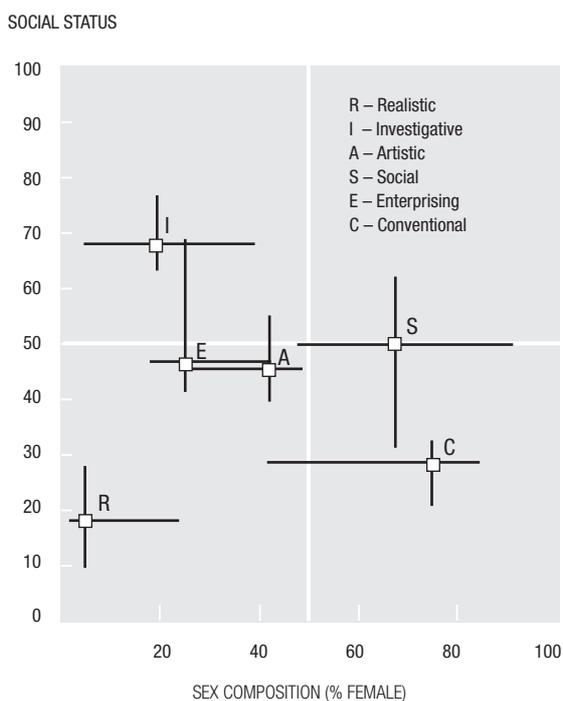
According to Holland (1997, p. 3), there are six basic types of occupations or work environments. These six types of occupation are collectively known by the acronym “RIASEC”. They are as follows:

- “Realistic” or manual work – examples include carpenter, plumber and plant operator (in 1996, 38.5 per cent of employed Australians were engaged in realistic work). These occupations involve activities such as building, repairing and making objects. They provide an environment that fosters technical competencies and mechanical ability because of the frequent use of machines and tools.
- “Investigative” or ideas-based work – examples include mathematician, biologist and physicist (in 1996, 8 per cent of employed Australians were engaged in investigative-type work). Investigative occupations involve activities such as experimenting, analysing and inquiring. They provide an environment that fosters scientific competence and scholarship.
- “Artistic” work – examples include writer, actor, sculptor and dancer (in 1996, 1.3 per cent of employed Australians were engaged in artistic work). Artistic occupations involve activities such as painting and playing music. They provide an environment that fosters artistic competencies and encourages people to be expressive, original and intuitive.
- “Social” or work with people – examples include teachers and nurses (in 1996, 25.5 per cent of employed Australians were engaged in social work). Social occupations involve activities directed towards helping others.
- “Enterprising” or business and politically related work – examples include managers, salespersons and politicians (in 1996, 14.9 per cent of employed Australians were engaged in enterprising work). Enterprising occupations involve activities such as organising and selling. They provide an environment that encourages people to see the world in terms of power, status and responsibility.
- “Conventional” or routine work – examples include clerks and accountants (in 1996, 11.7 per cent of employed Australians were engaged in enterprising work). Conventional occupations involve activities such as record-keeping and filing.

FIGURE 7.1

MAP OF AUSTRALIAN OCCUPATIONS:

Showing the socioeconomic status and the sex composition of occupations (interquartile range bisecting at median) grouped within RIASEC sectors, 1996



Holland (1997, pp. 2–3) has also contended that the occupational interests of people can be classified using the same RIASEC typology. In this way it becomes possible to investigate the quality of the fit between an individual's interests and his or her occupational prefer-

Holland's work suggests that career choice involves a search for an occupation that is congruent with an individual's interests. In other words, young people typically search for occupations that are a good fit.

ences and choices. There is a large body of overseas and local research that supports the validity of Holland's typology of occupational interests.²

Holland's work suggests that career choice involves a search for an occupation that is congruent with an individual's interests. In other words, young people typically search for occupations that are a good fit.

This idea has been extensively elaborated upon by Gottfredson (1981; 1996; 2002). She argues that young children have a largely undifferentiated view of the world of work. As they mature, they learn to identify various aspects of occupations. Once children can identify these aspects, they use them to make judgements about the perceived suitability of occupations. As a consequence of

It is a world that is seen to be divided along lines defined by gender, socioeconomic status and according to occupational types.

making these judgements, the number of preferred occupations is progressively reduced. According to Gottfredson, one of the first aspects of an occupation that children learn to identify is its "sex type", the next is its social prestige, and among the last is its "type". This process of narrowing the range of preferred occupations over a sequence of developmental phases was called "circumscription" by Gottfredson. Typically, the process of circumscription is largely complete by the end of adolescence (Gottfredson 1981, p. 549) – and it is a process that occurs largely during the years of schooling.

Using the dimensions described by Gottfredson – sex type and social prestige – and Holland's occupational types, it is possible to depict the world of work graphically, and visualise how career choice involves finding a location in a social space defined along these dimensions. Figure 7.1 shows such a map using 1996 Census data (Naylor et al. 1997). To assist reading this map, it is divided into quadrants.

In this figure, each occupation is grouped according to its type, and the median value for its sex type and socioeconomic status was calculated. The spread for sex type for each field is marked by the horizontal lines in the body of the graph. The vertical lines mark the spread for socioeconomic status. These lines intersect at the median values for sex type and socioeconomic status.

In Figure 7.1, the process of compromise can be seen as having a preference for occupations located in progressively smaller areas of this map.

The importance of the map of Australian occupations is that it depicts those dimensions that appear to most strongly influence occupational aspirations. It is a world that is seen to be divided along lines defined by gender, socioeconomic status and according to occupational types.

When seeking to make linkages between education and the world of work, especially in the context of encouraging an orientation to lifelong learning, it is the location on this map that describes the context in which this learning will often take place.

FIGURE 7.2

YEAR LEVEL AT WHICH IT IS PLANNED TO LEAVE SCHOOL BY SELF-PERCEIVED ABILITY AT SCHOOL

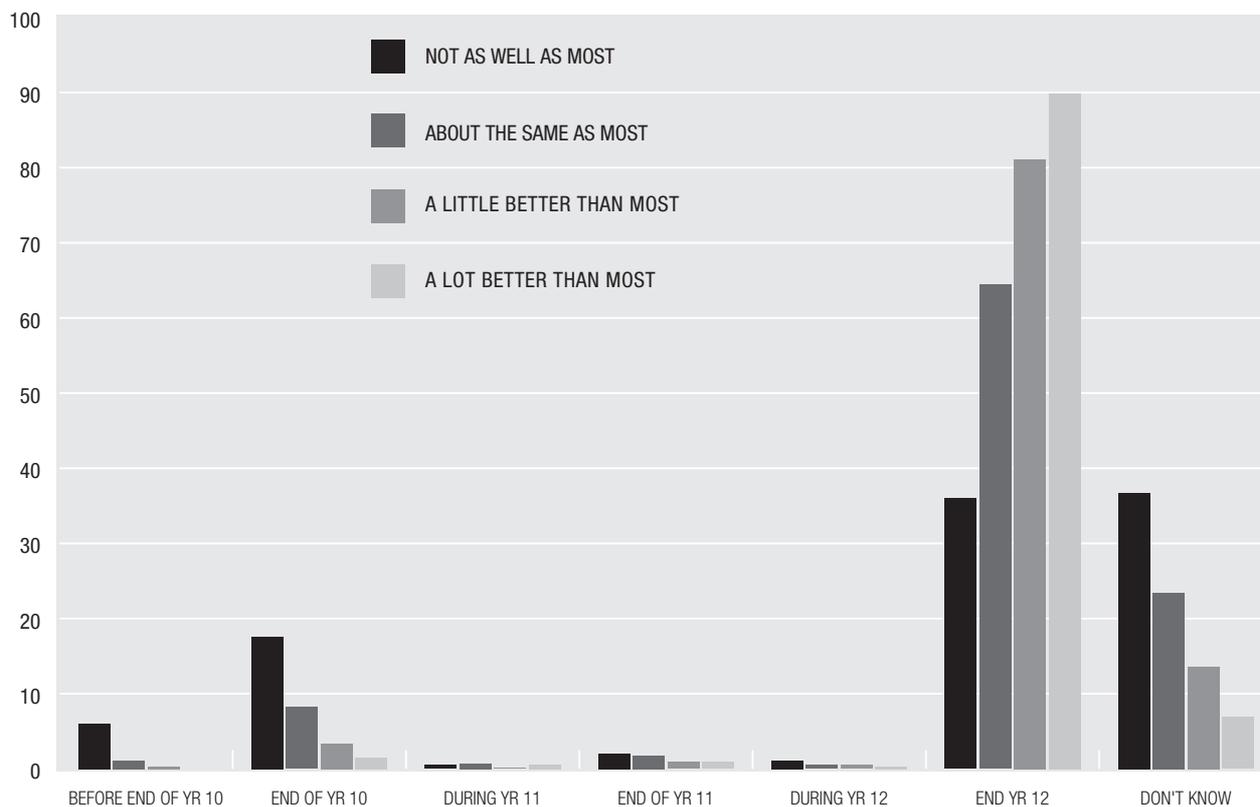


TABLE 7.1
THE RELATIONSHIP BETWEEN THE RIASEC CLASSIFICATION OF INTERESTS AND PREFERRED FIELDS OF STUDY

INTEREST TYPE	PREFERRED FIELD OF STUDY
Realistic	—
Investigative	Building and design, engineering and computing, and professional and applied science (including medicine and dentistry)
Artistic	Visual arts and music
Social	Applied social science, childcare and teaching, health studies (but not medicine or dentistry), community service and sport and recreation
Enterprising	Humanities, social science, and communications (e.g. journalism)
Conventional	Business, commerce, law, hospitality, business languages, and library and information processing

Notice that, on both Holland’s and Gottfredson’s theories, it is not the tasks that make up a job which attract people to it, but rather, the characteristics of the people who typically hold these jobs. As Holland (1997, p. 9) notes:

Just as we judge people by their friends, dress, and actions, so we judge them by their vocations. Our everyday experience has generated a sometimes inaccurate but apparently useful knowledge of what people in various occupations are like. Thus we believe that carpenters are handy, lawyers aggressive, actors self-centered, salespeople persuasive, accountants precise, scientists unsociable, and the like.

The relationship of education to work

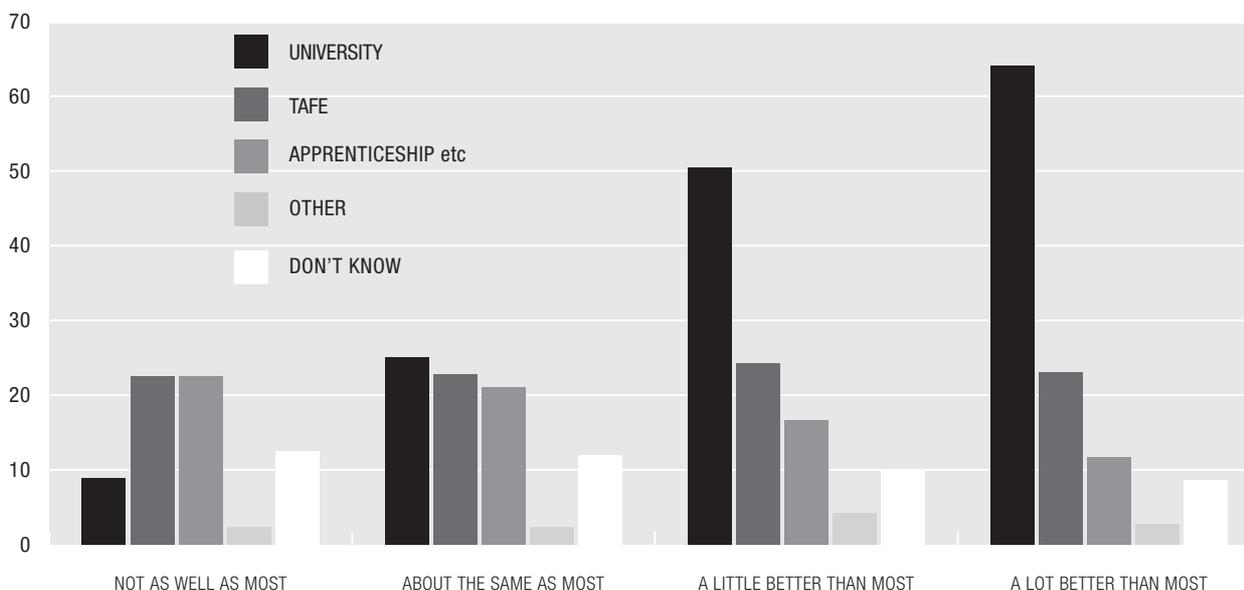
This section addresses the question: “How do schools assist their students to make educational choices that will provide them with the best chance of finding a job which fits their interests and ability?”

Interests

There is good evidence that schools do provide students with opportunities to develop their interests. For example, there is continuity between educational choices and prefer-

FIGURE 7.3

PLANNED POST-SCHOOL EDUCATION FOR EACH LEVEL OF PERCEIVED SCHOOL ACHIEVEMENT (%)



ences and occupational interests. Care and Naylor (1984), using the RIASEC classification, showed that subject preferences at school are associated with vocational interests. Ainley et al. (1990, 1994), in two large studies of school subject choice in Australia, also found associations with vocational interests measured using the RIASEC classifica-

Students with the strongest realistic interests were around ten times more likely to enrol in technical studies than those with weak realistic interests.

tion. For example, students with the strongest investigative interests were three times more likely to enrol in “physical science” subjects (physics and chemistry) than those students with weak investigative interests. Students with the strongest realistic interests were around ten times more likely to enrol in technical studies than those with weak realistic interests.

While at school, students also make applications to go on to university. It has been demonstrated empirically that fields of study at university can be identified from patterns found in student application that map to the Holland typology of interests (Elsworth, 1994; Elsworth, Harvey-Beavis, Gilding and Briant 1986; Harvey-Beavis and Elsworth 1998).

Table 7.1 shows which types of interest are associated with various fields of study (Harvey-Beavis and Elsworth 1998). For example, students who have strong “social” interests typically prefer a course from the applied social science, childcare, teaching, health studies, community service, sport or recreation fields when applying for a university course at the end of Year 12. This suggests that when students make the transition from school to university, their preferences are being shaped by their interests.

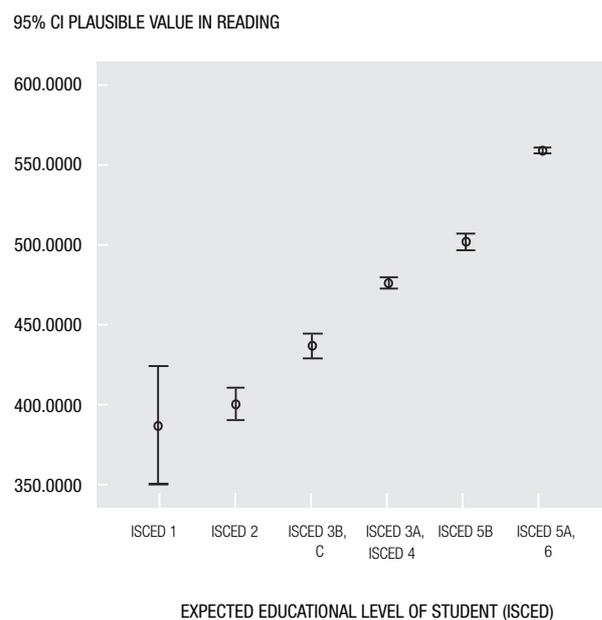
From this it follows that schools and universities (there is no evidence about TAFE and related tertiary educational institutions) are providing young people with the opportunity to develop and nurture their interests and that this should, therefore, help them to find a job which is a good fit.

Ability

Students’ abilities and their perceptions of their abilities appear to strongly shape their educational choices and plans, as well as their vocational plans. On the map of Australian occupations, ability or perceived ability appears to affect location of a preferred job along the socioeconomic status dimension. The higher the ability of the student, the higher the socioeconomic status of the occupation they plan to enter (Beavis et al. 2005).

Similarly, the perceived or actual ability of students appears to strongly shape their educational plans. For example, in a recent study of low socioeconomic status school students, conducted for The Smith Family, it was found that perceived ability influenced when Year 8 and

FIGURE 7.4
MEAN PISA READING LITERACY SCORES AND HIGHEST
PLANNED LEVEL OF EDUCATION, SHOWING 95% CONFIDENCE
INTERVALS



Year 9 students planned to leave school. Students were asked to assess how well they were doing at school compared with their fellow students. They could indicate “Not as well as most”, “About as well as most”, “A little better than most” and “A lot better than most”. Figure 7.2 shows how those who perceived themselves as below average were far less likely to plan to stay at school to the end of Year 12 (Beavis et al. 2005, p. 18). As Figure 7.3 shows, perceived ability also strongly affects post-school educational plans, with students whose perceived ability is below average being far less likely to attend university than other students (Beavis et al. 2005, p. 19). A similar

Importantly from the point of view of CEDA, perceived ability also influences the skill level of the occupation students plan to enter.

pattern can be seen with measured ability using data collected from the OECD’s PISA study in 2000 (OECD 2001). Figure 7.4 shows this effect (Beavis et al. 2005, p. 19). The higher the average reading score, the higher the planned level of education.

Importantly, perceived ability also influences the skill level of the occupation students plan to enter. Figure 7.5 shows that students who perceive themselves to be below average in their school subjects are less likely to plan a professional or associate professional level occupation, and to be more likely to plan a trade or intermediate level clerical occupation (Beavis et al. 2005, p. 22). Students appear to match their plans to their perceived ability to learn different skills.

This evidence suggests that schools are helping students to identify their ability level, and that students are shaping their future plans by taking this information into account.

Conclusion

The available evidence suggests that schools are developing and nurturing students’ interests. Schools are also providing students with a wide range of information about their ability. Further, students seem to shape their educational and occupational plans drawing upon these learning experiences and this information about their ability.

This suggests that schools and universities are already making an important contribution to their students

The available evidence suggests that schools are developing and nurturing students’ interests. Schools are also providing students with a wide range of information about their ability.

having an orientation towards lifelong learning by providing them with the opportunity to identify locations in the world of work which fit them well. A number of policy implications follow from this. These include:

- school retention rates need not be regarded as a concern if students are leaving in order to move to a location in the world of work suited to their interests and abilities. If they find this location, they are likely to continue learning and to continue to develop new skills
- a concern to further enhance employability of young people by schools teaching generic competencies – beyond literacy and numeracy – may be misplaced if students already have a good understanding of the location in the world of work they seek. For those students who do not know what they want to do, teaching generic competencies may be of some help; however, the vagueness of these competencies may limit their usefulness. It may be more efficient to provide career counselling

FIGURE 7.5
SKILL LEVEL OF OCCUPATIONS MOST LIKED TO DO AT AGE 25 BY LEVELS OF SELF-PERCEIVED ABILITY

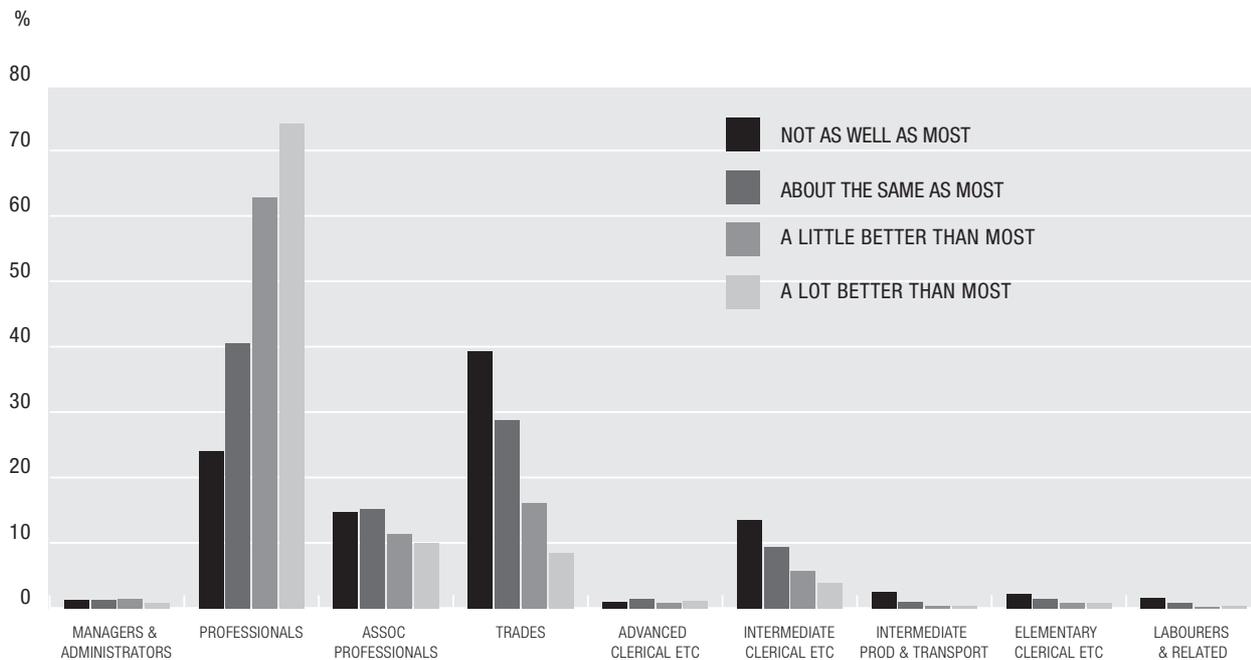
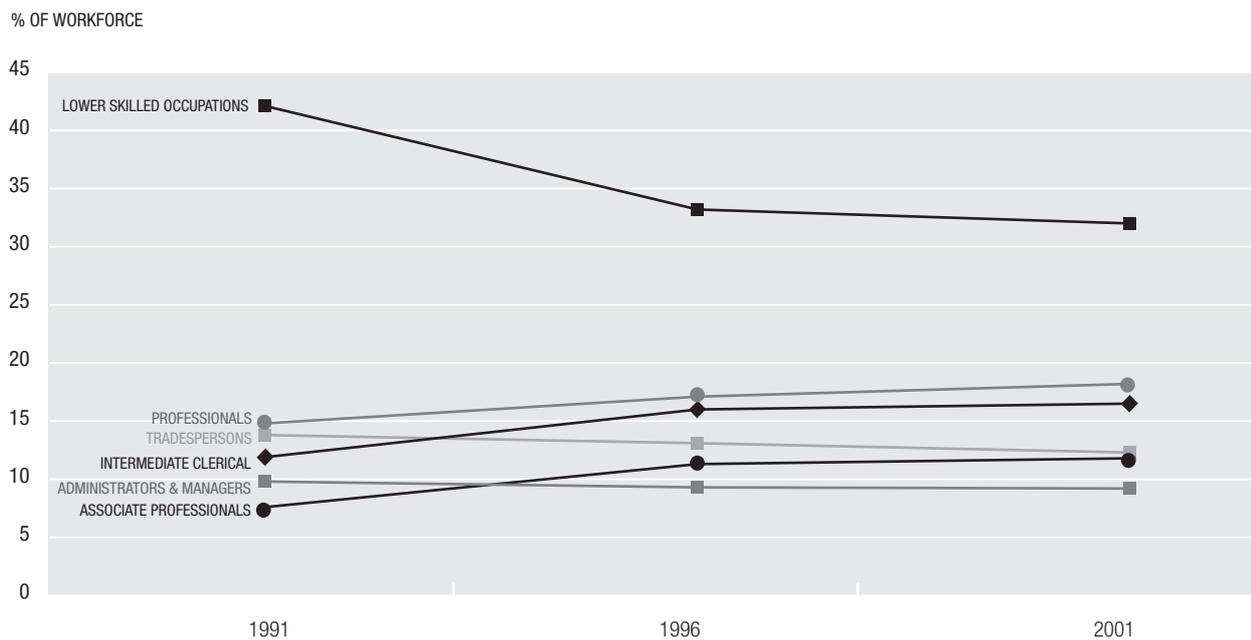


FIGURE 7.6
PROPORTION OF THE AUSTRALIAN WORKFORCE AT EACH SKILL LEVEL IN 1991, 1996 AND 2001



Source: Australian Bureau of Statistics

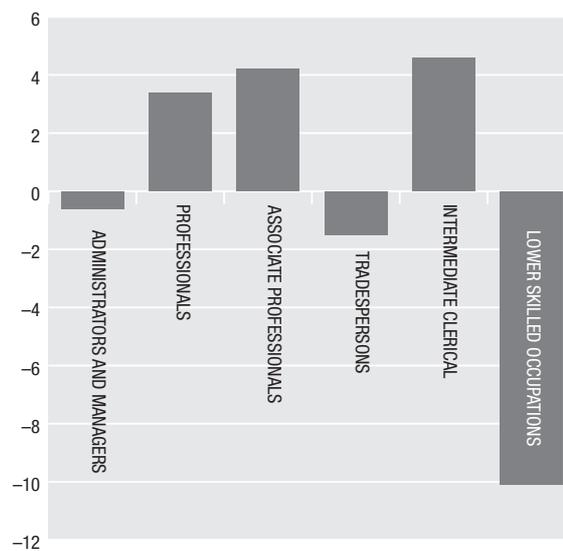
- young people make their assessments about the world of work based upon criteria that are typically unrelated to the actual tasks involved with the job. Schools could assist students to understand some of the implications of their preferences by providing them with learning that involves tasks related to the work they prefer. In many schools this already happens for students interested in the sciences, sport, technology, music and the arts, and some aspects of business (for example, accounting).

It is, therefore, our view that the role of education in preparing for lifelong learning – beyond the basics of providing literacy and numeracy, and encouraging lifelong learning at school or at university – is to provide

Schools could assist students to understand some of the implications of their preferences by providing them with learning that involves tasks related to the work they prefer.

students with the information and learning opportunities that will lead them to destinations in the world of work which they seek. Here young people will be most likely to want to continue to learn and, what is more, to have the ability to do so. The available evidence suggests that schools, in particular, are already providing this learning and information.

FIGURE 7.7
CHANGE IN PROPORTION OF THE WORKFORCE AT DIFFERENT LEVELS BETWEEN 1991 AND 2001 IN AUSTRALIA



Appendix 7.1

Figure 7.6 shows the proportion of persons in six categories of skill level in the Australian workforce. The data are taken from the census for the years 1991, 1996 and 2001. The skill levels, based upon the Australian Standard Classification of Occupations (Australian Bureau of Statistics 1996) are grouped into the top five levels: administrators and managers, professionals, associate professionals, trades persons and intermediate clerical – with lower skill levels occupations grouped together. It can be seen that in the ten years from 1991, there has been a decline in the proportion of lower skilled occupations in Australia (from 42.1 per cent of the workforce, to 32 per cent).

Figure 7.7 shows this change in the proportion of different skill levels between 1991 and 2001 more clearly. There has been a slight increase in the proportion of professionals, associate professionals and trades. There has been a decrease of just on 10 per cent in the proportion of low-skilled occupations. In other words, there is some evidence that the workforce in Australia is increasingly becoming more highly skilled. Nevertheless, it is important to recognise that in 2001 just on one-third of the workforce were employed in jobs with relatively low levels of skill. Many of these jobs were “Realistic” occupations.

END NOTES

- 1 For example, the world of work may be conceived in terms of social classes (Wright and Perrone 1977), occupations (Castles 1986; Stolzenberg 1975), core versus periphery (Bibb and Form 1977), industry segments (Australian Bureau of Statistics 1998), or levels of unionisation (Kalleberg, Wallace and Althausen 1981).
- 2 See, for example, Holland (1985; 1997), Lokan and Taylor (1986), Naylor (1993), Gottfredson and Holland (1989; 1996), Spokane (1996), and Naylor, Elsworth, Care and Harvey-Beavis (1997).

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financial literacy

IN MANAGING

life

employment

8

GERARD BROWN

GERARD BROWN is Group General Manager, Corporate Affairs and Investor Relations. His team includes the group functions of investor relations, media relations, internal communication, community relations, government and regulatory affairs, and environment and sustainability.

Previous positions held by Gerard at ANZ include Head of the Office of the CEO and General Manager of Government and Regulatory Affairs. Gerard joined ANZ in 1999 from The Allen Consulting Group, a public policy, regulatory economics and external affairs management consulting firm, where he was a principal.

Gerard holds a Master of Arts and a Bachelor of Letters in history. He is a Director of the Banking and Financial Services Ombudsman and the Consumer Law Centre of Victoria.

Introduction

Earlier chapters have looked in detail at the acquisition of work-related skills, including the more generic skills that are important to work-readiness and are increasingly being demanded by employers because of the rate of workplace change.¹

A number of broader life skills are also important influences on participation in the labour market, as well as being important for how well people manage other aspects of their lives. This chapter looks at one of these areas, economic and financial literacy, and considers how improved economic and financial skills, with a lifelong learning perspective, could contribute to stronger labour force participation of mature-age people.

Economic and financial literacy defined

Economic and financial literacy can be defined broadly as: *“the ability to make informed judgements and to take effective decisions regarding the use and management of money”*.² At a more detailed level, this skill has several dimensions. It involves:

- an understanding of basic economic and financial concepts (such as interest rates, fees and charges)
- an understanding of the broad economic and financial environment (including, for example, business cycles mean that interest rates and loan repayments change over time)
- an understanding of the range of financial service providers, including the possible sources of information and advice on economic and financial matters
- the ability to seek out useful information on economic and financial matters, including products and services that are available (such as loans on offer and the conditions attached to them, superannuation and investment options)
- the skill to compare the options available as a basis for making informed decisions.

Of course, different circumstances require different levels of economic and financial literacy, and not all the aspects listed above will be needed by everyone to the same degree. But even those with relatively simple finan-

Of course, different circumstances require different levels of economic and financial literacy, and not all the aspects ... will be needed by everyone to the same degree.

cial affairs – nothing more complex than a loan for a car, furniture or a house, or a credit card – will need basic skills in all of the areas listed if they are to manage their money to best effect for them and their families.

Acquiring these skills is not a straightforward task – the concepts, products and options are complex. The difficulties of becoming financially “literate” are compounded by the fact that:³

- financial products are not usually purchased frequently and so we develop limited experience in selecting them
- the value of the purchase (such as an investment product) is often not clear at the time of purchase
- it can be difficult to verify claims made by financial suppliers.

The role of economic and financial literacy in managing transitions

Many aspects of life have an economic or financial dimension. Decisions about major purchases, investments (including non-financial investments, in areas such as education), work and retirement, risk-taking and insurance, leisure activities, family relationships and

One of the most important sets of decisions affected by financial considerations is that involved in an individual’s working life.

many more can all be influenced by economic and financial considerations and can be made easier where people have good economic and financial skills to assist in the decision-making process.

One of the most important sets of decisions affected by financial considerations is that involved in an individual’s working life. One of the reasons we work – although certainly not the only one – is for the financial rewards. So economic and financial considerations will influence people’s decisions about issues such as:

- whether and when to join, rejoin or leave the workforce
- what type of employment (employee, self-employed) to take up
- how many hours to work
- whether to invest in training, retraining and general skill development.

Economic and financial literacy skills are therefore essential for managing the many work-related transitions that most people experience. And these skills will become increasingly important as the nature of work and working lives continues to change, and in light of broader economic developments.

Individuals are likely to experience many more “transitions” in and around the labour market than they have in the past: people are increasingly likely to have more than one occupation during their working lives; there is increasing desire for, and availability of, flexible working arrangements such as part-time work; it is increasingly likely that women who have children will remain attached to the workforce, or become re-attached to it; there is a growing demand for more highly skilled employees; and the ageing of the population means that there will be growing demand for people to extend their working lives. Effective management of these transitions will require solid economic and financial skills.

FIGURE 8.1
FINANCIAL EVENTS IN THE LIFE CYCLE



Source: Consumer and Financial Literacy Taskforce 2004, *Australian Consumers and Money*, Discussion Paper, <http://cfltaskforce.treasury.gov.au/content/home.asp?NavID=1>

At the same time, broad demographic and economic trends mean that individuals may be required to take on more responsibility than they have in the past for their own financial wellbeing and for meeting the cost of some services traditionally provided by governments. The combination of the ageing of the population and the rising unit cost of providing services is projected to put governments' budgetary positions under considerable pressure in

The combination of the ageing of the population and the rising unit cost of providing services is projected to put governments' budgetary positions under considerable pressure in coming years.

coming years. It is likely that the Commonwealth will be looking for ways to reduce fiscal pressures, including by redistributing some responsibility to individuals for meeting some costs.

The impact of these changes, both in the nature of work and working lives and in the broader environment, means that people will need to make *more* decisions about the range of employment and employment-transition issues, and these decisions will become more *complex*. Other financial issues are also likely to require closer attention. The value of economic and financial literacy will therefore grow in coming years.

A lifelong learning issue

Just as the financial circumstances and financial skill requirements of different people will vary, the financial situation of an individual will change over time. The need for financial skills will be very different for a teenager with modest savings in a bank account, a family with a mortgage and a range of other financial commitments and a person about to retire from the workforce. Figure 8.1 illustrates just some of the financial issues that an individual may face at different stages of his or her life.

The economic and financial environment also changes over time, sometimes dramatically. Large economic shifts, such as the deregulation of lending rates, the move to floating exchange rates, the transition to low consumer price inflation and periods of asset price inflation, change the "conventional wisdom" about financial matters, and may mean that people need to re-examine what they have learned in the past about how to handle their finances. Less dramatic, but no less important, is the ongoing growth and innovation in financial services and products that constantly open up new opportunities (and risks) for consumers.

BOX 8.1

FINANCIAL LITERACY – KEY FINDINGS OF THE ANZ STUDY

- There is a high level of banking inclusion in Australia, as compared with some other countries, with 97 per cent of adults having an everyday banking account.
- All people knew how to use cash and around 90 per cent knew how to use common payment methods such as ATMs, cheques, EFTPOS and credit cards.
- Reasonable levels of mathematical ability, with 81–89 per cent of people correctly performing basic addition, subtraction, division and percentage calculations – although for multiplication this dropped to 59 per cent.
- While investment fundamentals are understood, with 85 per cent of people knowing that high returns equal high risk, investors were potentially susceptible to misleading claims with 47 per cent indicating they would invest for “well above market rates and no risk”.
- Planning for retirement was low, with only 37 per cent of people having worked out how much money they need to save for retirement. Many also had unrealistic expectations, with 50 per cent expecting to be living “at least as comfortable in retirement as they are today”.
- Knowledge of fees and charges varied, with 88 per cent of credit card users and 78 per cent of those with bank accounts knowing their fees well. However, only 60 per cent of people with managed investments and 44 per cent of those with superannuation knew their fees well.
- Most people understand their bank account and credit card statements, however, 21 per cent of people could not understand their superannuation statements and further testing revealed that only 40 per cent could identify key items on a superannuation statement correctly.
- A strong association between socioeconomic status and financial literacy – the 20 per cent of people with the lowest financial literacy were over-represented by those with lower education levels; those not employed; people with lower incomes and low savings; and people at both extremes of the age profile: 18–24 year olds and those aged 70 years and over.

Source: Roy Morgan Research 2003, *ANZ Survey of Adult Financial Literacy in Australia*, Final Report, prepared for ANZ Banking Group, available at www.anz.com/aus/aboutanz/Community/Programs/FinLitResearch.asp

Economic and financial literacy is therefore a lifelong learning issue. People’s changing needs and the changing environment mean that their knowledge and skills need to be updated regularly if they are to make well-informed judgements about managing their finances (see Figure 8.1).

Economic and financial literacy in Australia surveyed

In 2003, ANZ released the results of a large-scale study of the financial literacy of Australian adults (see Box 8.1).

The state of financial literacy in Australia

Several aspects of the survey results suggested that though Australian adults have, on average, a good foundation of basic skills, it is clear there are challenges. These include an increasing understanding in the areas of investment, superannuation and retirement planning, and in assisting the most vulnerable sections of the community, many of whom are struggling with financial skills (see Box 8.1 for some examples).

Variation across groups in the population

The study highlighted that there was considerable variation in responses across different groups in the population, with some more likely to show lower levels of financial literacy than others. Table 8.1 shows the level of financial literacy of various demographic groups and how they

differ from the average of all respondents. For respondents as a whole, 20 per cent fall into each level of skill (or “quintile”). Those groups with lower than average literacy have a substantially higher proportion in the lowest skill quintiles. It is clear from the table that, on average:

- men have a higher level of financial literacy than women
- those with tertiary qualifications have a much higher level of literacy than those with an education of below year 10
- those out of the labour force and those in unskilled positions have a lower level of financial literacy than those in white-collar positions and the self-employed
- the young and the old have lower levels of financial literacy than those in middle-age groups.

Particularly stark are the very low levels of financial literacy of those with little education, those looking for work and/or in unskilled positions. The study reports that these groups had difficulty with most areas of financial literacy, but particularly with knowledge of payment methods, basic arithmetic, financial terms, risk and return, and problem redress options.⁴

Given the distribution of financial skills across demographic groups, it is not surprising that levels of financial literacy are strongly correlated with income. Table 8.2 shows that those with the lowest levels of financial

TABLE 8.1
FINANCIAL LITERACY OF DIFFERENT DEMOGRAPHIC GROUPS^(A) – ANZ STUDY

	QUNTILE 1 (LOWEST LITERACY) PER CENT	QUNTILE 2 PER CENT	QUNTILE 3 PER CENT	QUNTILE 4 PER CENT	QUNTILE 5 (HIGHEST LITERACY) PER CENT	TOTAL PER CENT
By gender:						
Female	24	22	21	18	15	100
Male	15	18	20	22	25	100
By education level:						
Education less than year 10	42	19	20	11	8	100
Tertiary degree	8	16	20	24	32	100
By employment status/occupation:						
Looking for work	32	18	21	18	12	100
Student	29	14	20	20	17	100
Home duties	25	24	20	19	12	100
Retired	27	20	18	16	19	100
Semi-skilled	28	26	21	16	8	100
Unskilled	40	21	21	12	7	100
Professional	5	14	15	24	41	100
Other white collar	14	20	19	23	25	100
Self-employed	13	14	19	25	28	100
By age:						
Aged 18–24	31	20	22	16	10	100
Aged 45–59	13	19	20	22	27	100
Aged 70+	31	23	19	13	14	100
All respondents	20	20	20	20	20	100

^(A) Column may not add to 100 because of rounding.

Source: Roy Morgan Research 2003, *ANZ Survey of Adult Financial Literacy in Australia, Final Report*, prepared for ANZ Banking Group, www.anz.com/aus/aboutanz/Community/Programs/FinLitResearch.asp, p. 17.

literacy had lower incomes, lived in homes of lower value, had less savings and lower levels of debt than those with higher levels of financial skill. The importance of this correlation is highlighted by the study's finding that the lower financial literacy levels of women are associated with lower levels of income and education.⁵

Variation across types of financial literacy

The study also highlighted that levels of financial literacy differed across different areas of skill. Not surprisingly, people were more confident of their understanding of the simpler concepts and products, although it is worth reiterating that assessments were made against the particular individual's needs and circumstances.

The strongest themes emerging from this part of the study are that while many people have a good or reasonable ability to handle relatively straightforward financial matters:

- a sizeable minority have difficulty with even simple aspects of financial management
- a large proportion have problems with more complex aspects of money management, such as investment and superannuation.

Retirement and superannuation

The problem area of planning for retirement and understanding of superannuation issues is worthy of closer examination, given its importance to the decisions

TABLE 8.2
FINANCIAL LITERACY AND FINANCIAL CIRCUMSTANCES^(a) – ANZ STUDY

	QUNTILE 1 (LOWEST LITERACY) \$	QUNTILE 2 \$	QUNTILE 3 \$	QUNTILE 4 \$	QUNTILE 5 (HIGHEST LITERACY) \$
Average gross annual personal income	25 140	34 270	36 550	42 010	56 100
Average gross annual household income	38 600	52 170	55 300	63 870	78 180
Average current value of home	252 790	277 820	285 670	319 390	375 740
Average savings (include super but excl value of home)	46 240	88 280	100 400	136 300	243 530
Average mortgage debt for mortgage holders	113 600	119 380	131 680	162 340	222 610
Average non-mortgage debt	12 460	16 980	14 100	15 200	26 290

(a) Column may not add to 100 because of rounding.

Source: Roy Morgan Research 2003, *ANZ Survey of Adult Financial Literacy in Australia, Final Report*, prepared for ANZ Banking Group, www.anz.com/aus/aboutanz/Community/Programs/FinLitResearch.asp, p. 17

TABLE 8.3
MAIN SOURCE OF INCOME AT RETIREMENT, ACTUAL AND EXPECTED, 1997

	EXPECTED BY THOSE WHO INTEND TO RETIRE IN THE NEXT 10 YEARS (% of total)	THOSE WHO HAVE RETIRED FROM FULL-TIME WORK (% of total)
Pension/annuity purchased with superannuation payment	39.3	11.3
Pension/annuity purchased with money other than superannuation payment	1.7	1.8
Age, service, widow's or war widow's pension	16.9	21.7
Disability support, war disability or sickness allowance	0.4	11.4
Unemployment benefits	1.3	6.0
Wife's, carer's, special or other benefit	0.3	2.5
Business, property, investment	11.6	11.6
Savings, sale of assets	3.2	7.4
Part-time work	6.0	5.7
Someone else's income	7.4	18.3
Accumulated leave/compensation	0.3	0.7
Other	1.0	0.6
Don't know	10.6	1.0

Source: Australian Bureau of Statistics 1997, *Retirement and Retirement Intentions*, ABS cat. no. 6238.0, www.abs.gov.au

people make about their participation in the labour force in later life, including the timing of retirement, whether to move from full-time to part-time work and so on.

While there is a strong awareness of some features of the compulsory superannuation arrangements, it is of considerable concern that only 37 per cent of respondents had worked out how much they needed to save for retirement. Even among those whose retirement date was known well in advance, there was little forward planning for retirement, other than in a very general sense.

And yet, despite this lack of planning, high proportions of people appear to expect to be able to live comfortably in retirement. In the ANZ study, 50 per cent of those with superannuation believed that their superannuation would have them living as comfortably or more comfortably than they are living now. Evidence suggests that some people are disappointed, misjudging what their financial circumstances will be in retirement.

Table 8.3 shows Australian Bureau of Statistics data on what people expect to be their main source of income in

retirement and what income sources are actually accessed by those who have already retired. Although a strict comparison cannot be made because there may be changes over time in the sources of retirees' income (because of compulsory superannuation, for example), the table suggests that expectations and actual outcomes may differ substantially. In particular, a pension or annuity purchased with superannuation is much less likely to be the

It seems likely, then, that gaps in the community's financial literacy are contributing to some people making poor decisions about employment-related issues; in particular, the decision about when to retire ...

main source of income in retirement than those who are yet to retire expect; and government pensions, the income of others, savings and the proceeds of sale of assets are considerably more important sources of income than those who are yet to retire anticipate will be the case.

Research summary

In summary, the results of recent research on economic and financial literacy suggest that:

- the overall level of financial literacy in Australia is reasonable
- but some people do not have a good enough understanding of economic and financial matters to make informed judgements and decisions, not only about how to manage their money, but about other life events, such as investing in education and how long and how much to work
- some groups are more likely than others to have low levels of financial literacy – those with lower levels of education, in unskilled jobs, or looking for work – and so they have a poorer basis for decision-making than others
- while most people can manage the day-to-day aspects of financial management reasonably well, many find the more complex and longer term issues such as investment and retirement difficult. A proportion overestimate how well their superannuation will provide for a satisfactory standard of living in retirement.

It seems likely, then, that gaps in the community's financial literacy are contributing to some people making poor decisions about employment-related issues; in particular, the decision about when to retire, but probably also about the optimal level of investment in their own education and training.

Raising the level of economic and financial literacy

Lifting financial literacy in Australia will require the coordinated and sustained efforts of organisations in a number of sectors:⁶

- *financial services providers* can simplify products and fees and provide communication to customers that is easy to understand, train staff to be able to identify and deal with those customers with low financial literacy levels, and work in partnership with others to develop high-quality learning materials
- *governments* can support state-wide and national financial literacy initiatives, such as the financial literacy institute proposed by the Australian Securities and Investments Commission, fund regulators to develop and disseminate financial education information, and support teaching of financial literacy in schools and through coordinated curriculum channels
- *educators* can ensure that young people are given the right tools at an early age and that financial learning continues on through primary, secondary and post-school education; and they can embrace financial literacy and include it in core curriculum subjects
- *consumer groups* can raise awareness of the importance of financial literacy; develop and distribute financial education materials, either on their own or in partnership with other key stakeholders; be advocates and ensure that financial literacy remains on the policy agenda
- *community groups* can create partnerships with governments, the private sector and within the NGO sector to develop and distribute financial education materials; and be advocates for the community.

The ANZ and many other organisations, in a range of sectors, are involved in efforts to improve financial literacy. The Commonwealth government's Consumer and Financial Literacy Taskforce has identified over 100 organisations in Australia, delivering over 700 consumer and financial literacy initiatives directed at a wide range of audiences.⁷ The Taskforce concluded that many good initiatives exist, but that the spread of information is uneven across different topics and target audiences. In a preliminary recommendation to the Commonwealth government in August 2004, the Taskforce urged the establishment of a national financial literacy body to facilitate improved cooperation and coordination across provider organisations, improve efficiency and effectiveness in delivery of financial literacy and conduct research.⁸

Priorities for action

Strategies need to be put in place now to raise the general level of economic and financial skills in the community over the medium to longer term. However, shorter term pressures – notably the introduction of new arrangements

for choice of superannuation funds – suggest the need for strategies that will have an immediate impact, as well as those that will build literacy over time.

In the short term, building the *skills of those currently employed* is clearly an important priority. In the immediate period, these are the people who are being offered a choice of superannuation fund. More critically, they are also the ones making decisions about how long and how much to work – and it is their continued participation in the workforce that will be crucial to national economic wellbeing over the coming decades. This group will be

For the future, establishing good basic economic and financial knowledge and skills in children, and updating it and extending regularly, must be a high priority.

reached most easily through the workplace, with financial literacy skill development potentially provided through vocational education programs and employer information channels. In particular, employers should routinely build financial literacy information and issues into employee induction and development programs.

For the future, establishing good basic economic and financial knowledge and *skills in children*, and updating it and extending regularly, must be a high priority. School education provides an effective way of reaching children and teaching them these skills. Research for the Australian Securities and Investments Commission found that some schools are already teaching aspects of financial literacy, but that not all students will be exposed to this training and no course covers all aspects of financial literacy.

The Commonwealth government has committed to working with state and territory governments to incorporate financial literacy skills into the school curricula.⁹

For all in the community, access to *reliable and comprehensive information* on financial matters is crucial. A clear role exists for a coordinating body, such as that recommended by the Taskforce on consumer and financial literacy, to provide information in a range of ways suited to different audiences. The Commonwealth government has accepted the Taskforce's recommendation and is currently establishing a national consumer and financial literacy foundation. The government has also committed to the establishment of a centralised clearinghouse to provide a central point of contact and source of information on consumer and financial literacy, and a two-year national information and education program on these matters.

Finally, *special efforts* need to be made to develop the skills of those groups identified as having the *lowest financial literacy levels*, drawing on the skills, expertise, resources and contacts of a range of different organisations. This is an area where partnerships among business, government, community and education groups are critical.

Conclusion

The level of economic and financial skill will be an important influence on the decisions that individuals make about issues relating to work, including how long they work and how much they invest in education and skill development. Australia's economic and financial literacy is reasonable. But too many people are not in a position to make well-based decisions about critical events in their lives, and some groups are particularly disadvantaged. Many groups are working to improve the level of financial literacy. A strong national strategy is needed to coordinate these efforts and encourage further research and well-targeted initiatives so that Australians are well-equipped for the economic and financial challenges of the twenty-first century.

END NOTES

- 1 Stanwick, J. 2003, *Skills for Life: Lifelong Learning Systems in Australia*, National Centre for Vocational Education Research publication 1375, available at www.ncver.edu.au/publications/1375.html
- 2 Roy Morgan Research 2003, *ANZ Survey of Adult Financial Literacy in Australia*, Final Report, prepared for ANZ Banking Group, available at www.anz.com/aus/aboutanz/Community/Programs/FinLitResearch.asp
- 3 Consumer and Financial Literacy Taskforce 2004, *Australian Consumers and Money*, Discussion Paper, June, available at <http://cfltaskforce.treasury.gov.au/content/home.asp?NavID=1>
- 4 Roy Morgan Research 2003, p. 13.
- 5 Roy Morgan Research 2003, p. 15.
- 6 J. McFarlane 2003, *Speech to the ASIC Stakeholder Forum*, 24 July, available at www.anz.com/aus/aboutanz/Community/Programs/FinLitResearch.asp
- 7 Consumer and Financial Literacy Taskforce 2004, p. 49.
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- 9 Liberal Party of Australia 2004, *Super for All and Understanding Money*, 2004 election policy, available at www.liberal.org.au.

challenges OF behavioural change

9

THE SECURITIES INSTITUTE OF AUSTRALIA

THE SECURITIES INSTITUTE OF AUSTRALIA, since its establishment in 1966, has become Australia's largest education provider to professionals in the securities and financial services sector. With more than 11,000 members and 14,000 students, it attracts professionals worldwide who seek respected, industry-recognised qualifications.

Its focus is fixed on raising industry standards by delivering progressive and innovative programs relevant to the modern marketplace. The institute's students and members benefit from an extensive local and international network – connecting them to industry trends, practices and key players.

The financial literacy movement

Financial literacy has been widely endorsed to encourage individuals to take responsibility for the looming shortfall in public retirement funds. The United States (US) has been a forerunner in this debate with the establishment, for example, of the National Endowment for Financial Education (NEFE). Founded in 1992, the NEFE has worked with a number of other organisations on projects including, the “Project for Financial Independence” (a pro bono literacy effort aimed at needy Americans, organised by leading financial service organisations), “High School Financial Planning Program” (a purpose-built modular education program available to public and private schools nationwide) and “Advertising council partnership” (public service advertisements, with a \$3 million budget motivating Americans to take responsibility for their financial wellbeing, change negative financial habits and improve their quality of life) (Anthes 2004).

In Australia, financial literacy has become a popular notion in very recent times. In 2004, the Commonwealth established the Consumer and Financial Literacy Taskforce (CFLT). The Taskforce, chaired by Paul Clitheroe, a fellow of the Securities Institute of Australia (SIA), was established by the then Minister for Revenue and Assistant Treasurer, Senator Helen Coonan, to develop the first national strategy for consumer and financial strategy. The SIA has advocated that “consumer and financial literacy programs must be made available for all sectors of the Australian population so that consumers and investors can participate in the financial services industry with confidence”. It is vital that Australians seek to maximise their future income cash flows by putting in place strategies that now go to meeting their retirement circumstances and needs. Competencies must be developed in areas such as cash flows, savings, borrowings and investments (SIA 2004).

The CFLT released its preliminary recommendations to government on 31 August 2004. The recommendations included proposals advocated by the SIA, including the establishment of a national financial literacy body,

Financial industry participants have a responsibility to identify gaps in their client's financial literacy and take reasonable steps to educate their clients and thereby instilling a sense of confidence.

now known as the Consumer and Financial Literacy Foundation. The SIA continues to support the establishment of a central coordinating body to connect providers with consumers via a consumer information centre and we strongly advocate that government, industry and the regulators work together to ensure optimal outcomes for consumers.

Outside the governmental sphere, the Australian Stock Exchange, among others, has been active in organising seminars and workshops for consumers, on topics such as shopping around for the right financial planner, understanding risk, the operation of investment markets and the availability of products.

Financial industry participants have a responsibility to identify gaps in their client's financial literacy and take reasonable steps to educate their clients and thereby instilling a sense of confidence. However, in relation to retirement incomes, financial literacy is also dependent on individuals being able to make life choices based on their assessment of future income levels. The availability

of flexible work arrangements, less workplace discrimination against mature workers, and financial incentives (in relation to current superannuation structures) will enable individuals to translate that awareness of their financial needs into progressive outcomes.

Measuring literacy

The majority of financial literacy research has been conducted in the US. There are, however, at least two groundbreaking studies commissioned by the major banks in Australia: the “ANZ Survey of Adult Financial Literacy in Australia” (2003) and more recently, the “Commonwealth Bank Foundation – Improving Financial Literacy in Australia: Benefits for the Individual and the Nation” (2004). In many respects, the profile disclosed in these studies of people who had determined how much was needed to save for retirement was predictable: higher rates for full-time as opposed to casually employed, higher for professionals and executives than those for semi or unskilled, and higher for people with tertiary degrees than for those without (ANZ 2003).

According to the SIA, responsibility in the coming years will rest with both government and financial industry practitioners to raise the understanding of superannuation needs among these target groups. Indeed, the establishment of a new Consumer Affairs Taskforce at the SIA in 2005, comprised of consumer advocate groups (that is, the National Information Centre on Retirement Incomes and that Australian Consumers Federation), banks and industry practitioners, is aimed at addressing such needs.

An important part of the success of any education campaign ultimately resides in the target audiences' involvement. For small-to medium-income groups, compulsory superannuation is not sufficiently different from the aged-pension (in terms of the decision-making involved). In fact, for many, it might be regarded as a lump-sum “top-up”. Responsibility, under this view, still ultimately rests with government. Returning to the notion of involvement, an education program only becomes compelling when some essential need, threat or weakness is identified – in this case, the demographic reality, the withdrawal of government responsibility, and the inescapable requirement to self-fund retirement. All other aspects of financial literacy – investment concepts, risk and return trade-offs, insurance, products versus structured arrangements (that is, estate planning) – follow from this basic premise: “In the absence of other state arrangements, I must take responsibility for my own finances”. As such, education campaigns need to be tightly built around the theme of personal responsibility for self-funding income (investments) through retirement.

Most financial literacy studies have found a positive correlation between financial planning and the achievement of specific goals; however, the results of surveys

measuring the acquisition of more general, more comprehensive financial literacy are less clear cut (Braunstein and Welch 2002, p. 452). For example, some studies have found that the long-term effects of financial curricula in high schools has improved asset accumulation when participating students reach adulthood (Bernheim, Garrett and Maki 1997). However, other studies have concluded, “that specific and detailed knowledge of financial affairs had little effect on behaviours and outcomes, and that confidence and a broad under-

... some studies have found that the long-term effects of financial curricula in high schools has improved asset accumulation when participating students reach adulthood ...

standing were more important predictors of successful financial outcomes” (Braunstein et al 2002, p. 452). Many of these studies have emphasised that consumers respond more to practical and applied learning, rather than teaching applied financial concepts. It is more effective to educate consumers about the choices they need to make (why, how) and the information they need to do this with confidence. Other studies have highlighted the behavioural aspects of financial literacy attainment, concluding that “specific and detailed knowledge of financial affairs had little effect on behaviours and outcomes, and that confidence and a broad understanding were more important predictors of successful financial outcomes” (Braunstein et al 2002, p. 453).

Most financial literacy research has tested levels of financial knowledge – awareness of products, familiarity with financial concepts and relations (that is, between risk and return); however, fewer studies have measured the behavioural dimension of financial decision-making. Broadly speaking, increased information does not always lead to better decision-making. The field of behavioural finance is more familiar to investment managers: those who predict movements in market prices based on emotions and group behaviours. However, these aspects are equally pertinent to ordinary people making long-term decisions about savings and retirement.

A number of behavioural finance models might be adapted to the financial literacy debate, including behaviours such as:

- overconfidence – investing in the complete absence of information or, in this case, relying, despite advice on current savings, for retirement
- over-reaction – exaggerated response to new information, or the inability to measure financial gain from a long-term perspective
- selflessness – giving to charity despite one’s financial situation
- loss aversion – delayed entry into, or exit from, a financial situation inconsistent with one’s financial best interest (Braunstein and Welch 2002).

Linking financial information to behaviours is a difficult research challenge and, given that most research has been conducted in the US, there is scope for similar work to be adapted to Australian market conditions.

Despite the breadth and sophistication of research into financial literacy, there have been comparatively fewer studies conducted into how consumers access the information (in the market) they require when making financial decisions. The ascendancy of the financial planning profession in the last two decades has occurred alongside the restructuring of other professional financial advice sources; for example, accountants, lawyers, stockbrokers and other advisers (now captured under the financial services licensing regime). As mentioned, behav-

... the SIA believes that finance professionals have a responsibility to contribute towards improving the financial literacy of their clients.

... behavioural models are very important when determining the success of financial literacy initiatives. Consumer behaviour in respect of the “financial advice relationship” is an under-researched aspect of this debate. From the perspective of its role in shaping professional conduct and education, the SIA believes that finance professionals have a responsibility to contribute towards improving the financial literacy of their clients. From a behavioural perspective, when clients approach a financial adviser they usually have a specific issue to resolve (for example, “How much money do I need for retirement? How can I restructure my investments to adjust to a certain income level?”). In keeping with the spirit of financial services reform, financial advisers need to be better prepared to read behavioural traits in their clients, test levels of

understanding, and tailor advice (and/or services) to both the client's requests and what the professional understands the client may need.

The SIA has supported the broad financial literacy initiatives of large financial institutions, especially those of banks, who have sought to inform (and protect) their consumers. Equally, the government's allocation of funding towards establishing a Financial Literacy foundation provides a solid basis for improving Australians' awareness of personal responsibility in retirement planning. The SIA believes the third pillar of financial literacy rests with professionals. As mentioned, the SIA is expanding its program of professional conduct education in relation to financial literacy – initially spearheaded by The Superannuation Legislation Amendment (Choice of Superannuation Funds) Act 2004 (the Choice of Fund Act) – and informing financial advisers on presenting Super Choice options to clients.

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Conclusion: Financial literacy in perspective

Financial literacy is a benefit for all Australians in the landscape of an ageing population. The terms of the debate thus far have focused on broad understandings of financial concepts and not specifically on educating Australians regarding retirement planning. The educational initiatives by both government and industry (including the SIA) with respect to Super Choice bode well for increasing awareness generally about the adequacy of super, voluntary contributions and flexible transitions from work to retirement. As emphasised in this chapter, the behavioural dimensions of financial decision-making are equally important when improving financial literacy. To this end, the SIA endorses the view that professionals must bear some responsibility for identifying gaps in client understanding and addressing those gaps with education that is specific to the problem at hand – investment, retirement, estate planning and so on.

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IN THE EUROPEAN UNION

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10

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Introduction

In many countries, particularly those of Western Europe, predicted shortfalls in labour will impact sooner and will be more severe than will be the case in Australia. Policymakers in these countries, after a long period when the emphasis was on early retirement, are now turning their attention to the development of active labour market policies for older workers. Also, more broadly, they are looking, under the "active ageing"² banner, to the wider participation of older people in society, including access to learning. This chapter considers the nature and impact of these developments.

Analysing the *International Adult Literacy Survey* which was carried out among 12 countries, with adults defined as aged 25–64,³ O’Connell (1999) reports several important findings:

- The employed are more likely to undertake continuing education or training than the unemployed, and both are more likely to undertake learning than the economically inactive.
- Those with higher levels of education are more likely to participate in learning and do so for longer.
- Younger workers are more likely to participate in learning and for longer.
- When those in employment are considered separately, there is less of a discrepancy in terms of participation rates by age, particularly when job-related training only is considered.
- Employees in larger firms are more likely to undertake learning.

These findings, echoed in numerous other studies, point to the scale of the challenges policymakers face if they are to level the learning playing field for what is a particularly disadvantaged group – economically inactive older workers – while engaging smaller enterprises, where policy, knowledge and understanding of issues related to ageing are known to be under-developed. The following section begins with a discussion of current debate and policy at the European Union level, before going on to discuss recent policy developments in the three largest European economies: France, Germany and the United Kingdom.

Commentary on public policy

Recently, European policymakers have been very active in terms of initiatives on ageing and work. Three European-level agreements on older workers should be influencing public policy at national levels. These are targets agreed to at the Barcelona and Stockholm European Councils and the European Equal Treatment Directive.

At the Lisbon European Council (European Council 2000), the European Union set itself a strategic goal for the next decade of becoming *the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*. The Lisbon European Council viewed lifelong learning as a key part of the foundations of such a transition (European Commission 2000). Following on from this, the European Council of Stockholm in 2001 agreed to a highly ambitious target for the employment rate of older workers of 50 per cent by the year 2010 (from 38.8 per cent in 2001) (European Council 2001). Only a handful of countries have achieved this so far and the European Commission (2003) concludes that this remains a major challenge, particularly in the new member states.

At the Barcelona European Council it was stated that the burden represented by an ageing population will need to be shared between the generations: “A progressive increase of about 5 years in the effective average age at which people stop working in the European Union should be sought by 2010” (European Council 2002). The average exit age from the labour force – regardless of whether they are receiving a pension or not – for the EU was 59.9 years in 2001. There are a few positive signs, though progress remains modest overall. Progress towards the Stockholm and Barcelona targets is discussed in detail in a recent European Commission (2004) report.

In 2000 the European Union Council Directive 2000/78/EC established a general framework for equal treatment in employment and occupation. The directive aims to provide protection against age discrimination in terms of access to employment, self-employment or occupation, access to vocational guidance, vocational training and retraining, employment and working conditions, and membership of and involvement in any organisation of workers or employers or a professional organisation. The directive allows member states until the end of 2006 to implement these provisions. A recent review concluded that transposition of the directive has been uneven, with little or no progress being made in some countries, while others have complied technically, though more could be done (Baker 2004).

Thus, European member states face immense challenges in the coming decades in tackling the issues associated with the ageing of their labour forces, and some have concluded that the aforementioned European targets are now unattainable. A key component of the strategies necessary to increase the participation of older workers will be efforts to increase skill levels and encourage lifelong learning, and it is apparent that policy rhetoric around lifelong learning is being translated into concrete actions in some countries. It is to such developments in the largest European economies that I now turn.

Approaches to learning and training for older adults in France, Germany and the United Kingdom

France

In France, an inter-sectoral agreement was agreed to between the social partners in September 2003. Key components of the agreement are as follows:

- Employees with 20 years of experience, and those over the age of 45, regardless of experience, will be eligible for a skills audit after being in their post for 12 months, and will be given prioritised access to recognition of their work experience (*Validation des acquis de l’expérience*, VAE).
- All employees with two years of service will be eligible for a careers guidance interview carried out within their company.

- A “training passport” (*passport formation*) will be drawn up and updated by the employee. This will set out the skills and knowledge acquired.
- An individual 20-hour per year training entitlement (*droit individuel à la formation*, DIF) will be available without age limit. All employees with more than 12 months of service will be accorded a 20-hour credit year that can be rolled over for six years. Employees who lose their jobs will be able to utilise the monetary value of their unused credit to either fund a skills audit, VAE or training program (OECD 2004 and http://www.eurofound.eu.int/ewco/reports/FR0407TR01/FR0407TR01_3.htm).

It is interesting to speculate on the likely impact of this initiative. While the government has shown more generally a commitment to extending working lives, its employment rate for older workers is one of the lowest in the EU and for many years the policy objective in this area was to exclude these workers from the labour market. Despite recent reforms ostensibly aimed at maintaining them in employment, a deep early exit culture remains and against this backdrop, few firms, it seems, have developed policies around the employment of older workers, and there is not the widespread belief that population ageing will necessitate such a reorientation. Moreover, policymaking is deeply contradictory, with efforts to extend working life undermined by pressure to tackle unemployment, often at the expense of older workers. Companies, trade unions and employees have colluded in the perpetuation of a system where 55 has become “the normal age for definitively leaving the labour market” (Guillemard 2004, p. 177). This has not only had a negative effect on how older workers are viewed by managers and supervisors, but moreover, workers aged in their 40s are considered “nearly old” and find their career prospects curtailed (Guillemard 2004). This raises questions about France’s ability to promote a lifelong learning culture.

Germany

Germany, like France, has experienced a marked decline in labour force participation among older workers in recent decades, so once again any discussion of new public policies must be considered against this background. In 1999, the federal government established the *Alliance for Jobs, Training and Competitiveness* initiative, which included representatives from government and its social partners. Its aim was to combat long-term unemployment in particular and create new jobs by launching joint endeavours within public labour market programs and social partner initiatives.

In 2001, the partners agreed to a special program for promoting the employment of older workers. In so doing, a shift in the paradigm concerning public policies for this group occurred from a primary emphasis on early retirement to an explicit focus on preventing older workers from becoming unemployed and promoting

their reintegration. Their joint declaration included the following proposals (Gemeinsame Erklärung 2001):

- Create awareness among business and workers of the benefits of lifelong learning.
- Promote vocational training for older workers, based on both voluntary in-company actions, as well as on collective bargaining.
- Implement financial incentives for the vocational training of workers aged 50 and over in small and medium-sized companies.

However, Frerichs and Taylor (forthcoming) note that recent labour market reforms (*Hartz I and II*) have curtailed the length and amount of funding for individual programs of training. The maximum length for vocational training has been reduced from three to two years. Between 2000 and 2002, expenditure on training measures totalled on average 6.8 billion euros and involved about 550,000 workers. In 2003, the federal employment service cut back funding of training measures, whereby the budget was reduced to 5 billion euros (Dobischat 2004).

This resulted in a substantial reduction of training starts that disproportionately affected older workers (Winkel 2003). In the first six months of 2002 there were 260,000 new starts, but during this same period in 2003 the number fell to 122,000, a reduction of 53 per cent. Moreover, starts among those aged 50 and over fell by almost two-thirds, from 25,600 to 9000.

This is partly due to the fact that the only training measures that are funded are those that are able to integrate at least 70 per cent of participants into the labour market. This results in discrimination against older workers as high unemployment rates among this group

Since 2002, official employment agencies have been able to fund vocational training for workers aged 50 and over if they are employed in a company with fewer than 100 employees and if the company pays their salary during training.

indicate a lack of job prospects. Another reason for the low participation rate is that only a few training programs are adapted to the particular needs of older people in terms of learning style, tackling motivational barriers and work experiences.

Since 2002, official employment agencies have been able to fund vocational training for workers aged 50 and over if they are employed in a company with fewer than 100 employees and if the company pays their salary during training. Additionally, wage subsidies are available for participating workers who would otherwise be in danger of dismissal. These measures terminate in December 2005.

Thus far, adoption of these measures has been weak. In 2003, only a few hundred older workers were funded. Reasons include the following:

- Small and medium-sized enterprises lack knowledge about the measure.
- Official employment agencies are not active in providing guidance to employers on how to use these measures.
- SMEs generally do not have training policies and supportive cultures.
- SMEs may have difficulties in replacing workers in training.

Regarding lifelong learning, in 2001 the Federal Ministry for Education and Research launched an action program called *Lifelong Learning for All* (BMBF 2001). Its aims include:

- strengthening quality assurance for training
- developing standards
- promoting counselling for potential users of training and encouraging the participation of disadvantaged groups, including older people.

Two main initiatives have been implemented. The first will establish or improve regional networks in all learning areas and received funding of 118 million euros between 2001 and 2004. The second focuses on fostering the development of continuous on-the-job learning, and will receive funding of 100 million euros between 2001 and 2007. While thus far, no systematic evaluation is available, the impression given is that older workers and the ageing of the labour force are not viewed as central issues.

Nevertheless, two further initiatives exist that do consider older workers. One is an *Expert Commission on Financing Lifelong Learning*, which has submitted an interim report and data analysis describing resources and structures for vocational training and analysing the lack of participation of older workers (Expertenkommission 2002; Bellmann 2003). Second, the social security code has provisions aimed at fostering learning over the life course:

- job-rotation, which offers wage subsidies for up to one year for recruitment of an unemployed person who replaces an employee who is involved in training and re-qualification initiatives
- training for unskilled workers.

United Kingdom

In its recent Skills White Paper (DfES 2005) and its national strategy for an ageing society (HM Government 2005) the British government refers to older people's skill and learning needs. For instance, it proposes to develop better web sites and guidance to older people making decisions about careers and skills. It also states that its primary initiative for supporting training in the workplace – the *National Employer Training Programme* – will cater for the needs of older people. In *Employer Training Pilots*,⁴ older people appeared to benefit significantly. Those aged 56 or over were 21 per cent more likely to complete training and achieve target qualifications than younger age groups (Hillage et al. 2004).

On the other hand, elsewhere the government comments on the trials of its new Adult Learning Grant (ALG) that is being piloted in 19 local areas, paying up to £30 per week for full-time aged learners, though only those aged between 19 and 30 are eligible. Meanwhile, trials of apprenticeships for adults (over the age of 22) are being carried out in three sectors – health and social care, construction, and engineering – and are focused on testing out the application of the principles of the government's existing apprenticeships program to the different needs of adults. The trials are due to last until March 2006, and as yet there is no commitment to go beyond this. It is also notable that the government's primary measures of success in its recently published skills strategy document mainly appear to refer to young people. Thus, on the one hand, some aspects of policy-making appear to have a youth orientation, while elsewhere, greater attention is being paid to issues of lifelong learning.

Additionally, the British government announced in its *Skills White Paper* that it is giving *Sector Skills Councils* the remit of considering future labour supply issues, including responding to demographic trends, noting, for example, that some such as *Skillsmart*, operating in the retail sector, are already working with employers who are targeting older workers to meet staffing requirements.

Also, in the *Skills White Paper* it announced that the existing infrastructure of careers information, advice and guidance services for adults will be developed into a comprehensive service linking information on jobs, qualifications and training. A cross-government review will be undertaken and a business plan produced by autumn 2005. In addition, a *Skills Coaching* service has been announced. It is aimed at low-skill benefit claimants and will provide intensive personal advice and guidance. This will be part of the *New Deal for Skills* that will roll out from April 2005 and trial a Learning Option that will provide clients with an additional £10 on top of their benefits if they take up a free entitlement to tuition. Additionally, the *University for Industry* (Ufi) *learnirect* call-centre service will be extended on a pilot basis to offer the same kind of advice and guidance service.

These announcements build upon existing initiatives. For instance, the Union Learning Fund (ULF) (<http://www.unionlearningfund.org.uk/index.htm>) was launched in 1998 as a source of funding to help trade unions promote and organise workplace learning opportunities. The fund has been allocated £39.6 million by the Department for Education and Skills from 2003–2006 for its work. This includes:

- increasing the capacity of trade unions to promote learning and be learning organisations
- helping unions to engage employers in staff development and more widely in lifelong learning
- increasing learning opportunities, especially for those who may be disadvantaged, including older workers
- providing advice, guidance and support for learners
- encouraging employers to adopt high-quality accredited training.

Also, *Work Based Learning for Adults* (WBLA) is a voluntary program available locally through Learning and Skills Councils in England and Wales, and Local Enterprise Companies in Scotland. WBLA aims to help long-term unemployed people:

- move into sustainable employment
- gain skills in areas where there are recognised skill shortages
- make a transition to self-employment.

Basic Employability Training is available for people who need extra help before they start job-related training. Those aged 25 or over and have been out of work for six months or more and claiming a qualifying benefit are eligible.

However, results for older workers have been mixed. A study that aimed to investigate the use and experience of WBLA by people aged over 50 and the factors associated with participation, achievement and successful provision (DfEE 2001) found that:

- people aged 50 and over were under-represented on WBLA compared to their share of all long-term unemployed people
- WBLA leavers aged 50 or over were almost as likely as those aged 25–49 to achieve a qualification: 37 per cent of the former compared to 38 per cent of the latter
- fewer older leavers found employment: 36 per cent compared to 41 per cent.

Much of this difference may be explained by the higher proportions of longer term unemployed and of Basic Employability trainees among those aged 50 or over. Fewer trainees of these types in both age groups get jobs. But trainees aged 50 or over who had been unemployed for three years or more and non-Basic Employability trainees who had been unemployed for less than six months were less likely to get jobs than their younger counterparts.

A more recent evaluation of WBLA (NCSR/PSI 2004) found that a further component, *Short Job-Focused Training* (SJFT), accelerated entry to employment. Participation increased the chances of being employed within about five months after enrolling. The effect size was in the region of 5–7 percentage points. However, it was short-lived and no impact was evident by the ten-month mark. However, there did appear to be a sustained effect for clients aged 50 years or over.

Finally, in 2001, the government launched *Skills for Life*, a national strategy for improving adult literacy and numeracy skills (DfES 2004). It set a target based on the number of adults demonstrating improved skills and achieving recognition of their efforts through national qualifications of 750,000 by 2004, evidenced by the achievement of a national qualification. A National Audit Office report concluded that this had been achieved (<http://www.lifelonglearning.co.uk/ln04084.htm>). Actions have included:

- boosting demand for learning through promotion campaigns, and by engaging parts of government and employers in identifying and addressing the literacy and numeracy needs of clients and employees
- coordinating planning and delivery to meet learners' needs
- raising the standard and quality of literacy and numeracy provision
- reducing barriers to learning.

Conclusion

It is apparent that these large European nations, which have hitherto primarily focused on the learning and training needs of younger people, are now taking steps, sometimes faltering, towards a wider vision of learning that takes account of demographic changes. There are enormous challenges ahead. For policymakers, reactivating the economically inactive will be a major hurdle, given their low skill levels, and, as shown, low propensity to participate in learning activities. Already, as noted above, countries have run into difficulties in terms of realising European targets for the employment of older workers.

As I have also noted, there is apparently sometimes a preference still to focus efforts on front-loading learning, while initiatives that purport to help older workers have had mixed results so far. A sharper focus on the learning needs of older people is almost certainly required if governments are serious about providing them with what are commonly regarded as two of the central tenets of the active ageing approach – opportunity and choice – and if working lives are to be extended significantly.

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END NOTES

- 1 Faculty of Social and Political Sciences, University of Cambridge and Business, Work and Ageing Centre for Research, Swinburne University of Technology.
 - 2 The World Health Organization in its Active Ageing Policy Framework (2002) defines active ageing as "the process of optimizing opportunities for health, participation and security in order to enhance quality of life as people age".
 - 3 A weakness the author acknowledges, when one is considering "lifelong" learning.
 - 4 The Employer Training Pilots (ETP) were established in September 2002, to test the effectiveness of an offer of free or subsidized training to employees; wage compensation (of various levels) to their employers for giving time off to train; and access to information, advice and guidance.
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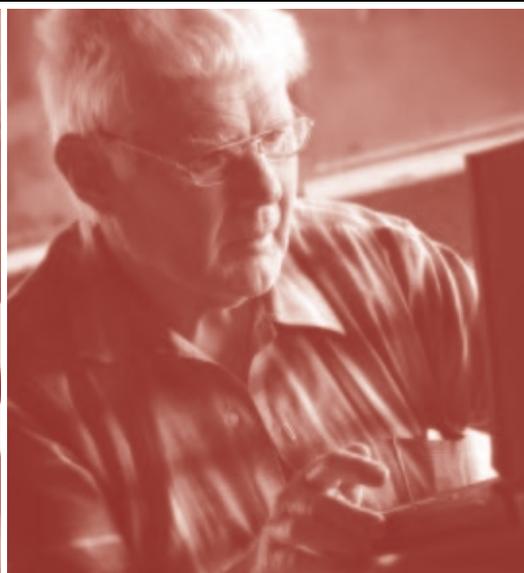
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