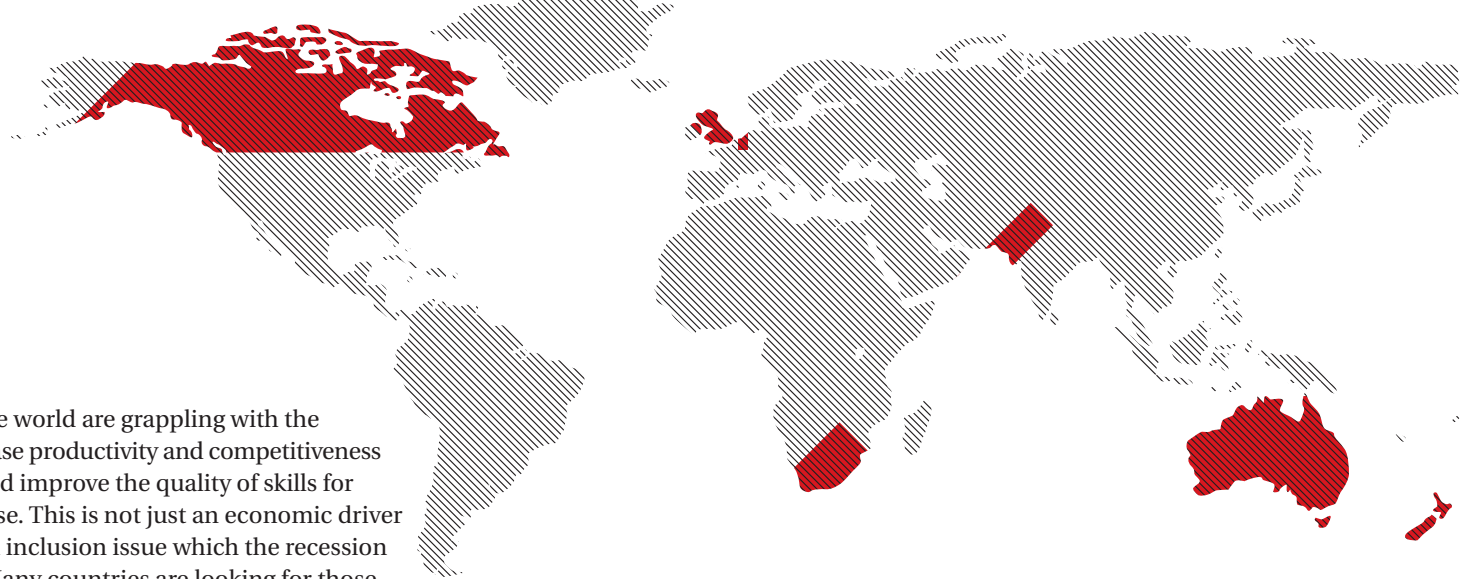

Think Global Act Sectoral

*Edited by
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Foreword

Governments all over the world are grappling with the question of how to increase productivity and competitiveness in a globalised world, and improve the quality of skills for innovation and enterprise. This is not just an economic driver but a political and social inclusion issue which the recession has made more acute. Many countries are looking for those models that connect industry and education and bring employers, trade unions, the state, and education providers into a dialogue on the skills that are needed today and tomorrow. The fundamental question is how do you create a demand-led system and what are the tools and techniques that work?

No country has a perfect system for doing this and very different national, political, economic, and social systems mean that a system developed in one country cannot necessarily be applied to another. However all governments are interested in how these issues are being tackled in industrialised economies, to see how they can be translated and adapted elsewhere.

Skills are increasingly global in terms of techniques and standards. International interest is growing fast as evidenced by the launch of an International Network for Sector Skills Organisations (INSSO) at the British Council's Going Global conference in March 2010. The British Council has placed these global issues at the heart of its programme Skills for Employability, and recognises that new education priorities at UNESCO on skills for work, will require a greater international focus on demand-led approaches and a greater role for industry and employers in education and training.

There is a new paradigm shift taking place in education in response to globalisation and new technologies – the International Network of Sector Skills Organisations can make an important contribution to knowledge economies and developing economies in skills development. We very much welcome this publication and would like to thank all the contributors, particularly Tom Bewick for providing the impetus behind the establishment of INSSO.

*Katie Epstein, Director of Vocational Education
and Training at the British Council
March 2010*

Introduction

by Tom Bewick

Think Global, Act Sectoral is part of a growing trend among countries to modernise vocational education and training systems. Principally, this is occurring through the work of sector skills organisations. These sector bodies come in all shapes and sizes with different traditions. They all bring together industry representatives and other stakeholders, formally bridging the gap between education provision, vocational training and the labour market.

Big forces

One of the big challenges of our time is to better equip citizens with the skills to participate in a fiercely competitive world. In the aftermath of the global financial crisis, a new paradigm is emerging. One in which governments and business must work better in order to foster more balanced economic growth and social cohesion. Capitalism broadly works, but if left unfettered or unchecked, disproportionate crisis will continue as the recent global recession shows.

Climate change requires new skills, in the development and application of low-carbon technology. The digital revolution is turning old business models on their head, based on mass collaboration, delivering to ‘niche’ as well as mass markets.

The question of who are today’s producers and consumers, in the past diametrically opposed groups, is increasingly blurred.¹ More traditional industries – like forestry and mining – are being forced to apply ever more advanced manufacturing and conservation techniques. Public services are increasingly feeling the strain, not only because of a fiscal crisis in many OECD countries, but because citizens are demanding more tailored and personalised attention. The rise of rapidly developing economies, like Brazil, Russia, India and China – the so called BRIC countries – are already challenging the nature of world trade and geo-political relations. No wonder our world is in constant flux.

The old ways of doing things – like over reliance on a few industrial sectors or the unquestioned belief that expanding higher education, will in itself stimulate economic growth, have been found wanting.² Instead, policy makers are beginning to understand the more complex interactions that take place between supplying skills on the one hand and creating demand for those skills, on the other.

The Harvard business professor, Michael Porter, has dedicated a lifetime of empirical work to the understanding of what drives competitive advantage amongst nations, including the main determinants of economic growth.³ One of his constant assertions is that it is companies, through innovation, entrepreneurialism, skills and increased productivity that are the key drivers to a country’s improvement in living standards. Governments can play a key role to shape the right regulatory framework in which these companies can prosper, including the provision of good quality universal education. But the state alone cannot raise the living standards of its people divorced from economic reality.

¹ ‘The long tail: how endless choice is creating unlimited demand’ (2006) by Chris Anderson. Random House Business. <http://www.longtailbook.co.uk>

² ‘An adult approach to further education’ (2010) Alison Wolf. London: IEA. <http://www.iea.org.uk>

³ ‘The Five Competitive Forces that Shape Strategy’ (2008) Michael E. Porter, Harvard Business Review, p.86.

Grappling with a new reality

The contributors to this book describe how different countries are grappling with this reality: in particular, how to involve industry more formally in the shaping of policies to boost productivity, thereby improving company competitiveness and individual employability. By looking at the economy through the lens of industrial sectors, each nation is able to apply a much sharper focus on the complexities of what really drives improvements in competitiveness, while at the same time enhancing the competences of the workforce.

Improving such competencies is, arguably, now the key factor in the creation of knowledge-based societies. These factors are not only confined to the industrialised world. Developing economies are also rapidly moving up the 'value chain', by investing in human capital, essential for attracting inward investment.

Sector skills organisations, from Australia to the United Kingdom, are uniquely placed to address many of these challenges. We live in the era of the 'global skills race', where mass migration and capital flows are reshaping (as well as ravaging) domestic economies and participation in the labour market. The phenomenon of 'jobless growth', coupled with rising levels of economic inactivity, is already a feature of many countries. Paying for this 'lost generation', too often locked out of the labour market due to discrimination, ethnic tensions and poor skills levels, is a spectre of hugely dire proportions. In countries, like Pakistan, it has led to the radicalisation of some young people.

Historical perspectives

Contributors to this volume show how these issues are playing out differently in their own countries. The European settlement of Australia, Canada and New Zealand has left a lasting legacy in terms of the position of Aboriginal people in the labour market. In Canada, Aboriginal people, (First Nations, Métis and Inuit) make up nearly 4% of the population but they are three times more likely to be unemployed. In a country like Canada, where economic success and an expanding labour force has been built on immigration, this is a considerable waste of human potential. Canada is almost unique, as Andrew Cardozo explains, in having established a dedicated Sector Council to address Aboriginal concerns.

Dr. Salim Akoojee from South Africa provides a contrasting historical perspective. He argues that to fully understand the Skills Development Act of 1998 – which established the first Sector Education and Training Authorities (SETAs) – the first response of a new National Skills Authority was to tackle the entrenched apparatus left behind by an Apartheid state. Today, up to a third of the working population are unemployed meaning that 'skills development has become intricately linked to the national development challenges of poverty alleviation, and unemployment', particularly reductions in racial and gender inequalities.

Financing a sectoral approach

South Africa's commitment means that companies – as a proportion of payroll – must contribute a 'levy' to each SETA, to reinvest back in industry-wide training. This makes South Africa the only INSSO member country to invest on this scale. Indeed, 20% of the amount collected by the revenue is earmarked for a National Skills Development Fund.

The financing of sector skills organisations is an ongoing challenge and a recurring theme in this book. Governments fund the majority of sector bodies within INSSO membership, but they largely operate independent of direct state control. In New Zealand, a unique arrangement is in place, whereby up to 10% of the tertiary education budget is brokered directly by the country's Industry Training Organisations (ITOs) across some 35,000 enterprises. Not only is the unit cost of purchasing training in this way generally cheaper than college provision, the approach underpins a business model for ITOs that helps make them more sustainable. Since 1992, ITOs have increased the amount of workplace training ten fold, according to Jeremy Baker.

At the other end of the spectrum, the UK's model of 'strategically core funded' Sector Skills Councils (SSCs) – whilst perhaps the most generously funded of the world's industry-led sector skills organisations – are also the most tightly regulated and state directed. SSCs are one of the few sector-based bodies to be overseen by a government-backed super regulator, the UK Commission for Employment and Skills, as opposed to being self-regulated or funded directly by national government departments, as is the case in most other countries. This inherent tension has led to considerable debate in the UK about how best to finance, structure and performance-manage an independent employer-led network, and at the same time ensure accountability for public funds.⁴ Most SSCs would argue that the amount of regulation is disproportionate to the sums invested.⁵

Given the unique interface that industry must navigate, between educators, employers and trade unions, resources are particularly challenged among all INSSO members. Most contributors highlight the fact that for the modest public funds that are invested, the remit and expectations of sector bodies is sometimes out of proportion. Bob Paton from Australia describes how

Manufacturing Skills Australia operates with just 17 people and has to cover a whole continent of over 250,000 enterprises and 1.1 million workers. He argues that this 'tests the mettle' of the Industry Skills Councils, who have the added complication of having to operate within a federal system where 'brokering nationally agreed arrangements' are quite difficult to implement.

Sectors and places

It would appear that the extent to which a country is 'unitary' or devolved – in terms of education and training policy – will also have a significant bearing on the ability of sectors to respond to workforce needs. It is noticeable, for example, that there are no real equivalent bodies to sector councils (at least operating at the national level) in countries like the United States. Here the emphasis is placed on local, spatially orientated institutions, like community colleges or statewide legislators.

For INSSO members, sector bodies face a constant challenge of 'docking' with geographically-based labour market institutions and locally-based skills interventions. No one is arguing that one approach should triumph over the other but experience shows that some perverse labour market outcomes can result where the sectoral approach is ignored. For example, Canada had to introduce a country-wide 'red seal' apprenticeship system after it emerged that provincial governments were setting different standards, leading to a lack of labour mobility for the skilled trades. Sector Councils subsequently helped devise competency frameworks for apprenticeships accredited by the federal government and recognised in all of Canada's jurisdictions. In short, plumbers apprenticed in Quebec can now find the same work in Alberta.

⁴ See, 'Simply Learning: improving the Skills System in England' (2010) London: Policy Exchange.
<http://www.policyexchange.org.uk/publications/publication.cgi?id=164>

⁵ See, 'Economic Impact Report', Baker Tilly (2010) Alliance of Sector Skills Councils.
<http://www.sscalliance.org/home/home.aspx>

Since 1999, when devolution occurred in the UK, similar ‘barriers to mobility’, were hampering efforts by employers to develop a genuinely UK-wide approach to skills and workforce development. Sometimes this was because of divergent regulatory systems, as in the case of qualifications reform. Or skills policy development in one country, like Scotland, was defined in almost opposite terms to the way it had been developed elsewhere. So policies to develop specialist-training networks in England, called National Skills Academies, were not automatically recognised in other parts of the UK, even if these academies helped assist industry in much the same way regardless of where they were geographically-based.

Perhaps, by far the most integrated system of sectoral and vocational skills development can be found in the Netherlands. Janneke Voltman of Colo, representing the ‘Kennicentrum’ (Centres of Expertise), explains how since 1954, the Dutch government, employers, unions and educators have worked together to shape a system where over 40% of the workforce has a vocational qualification. Generally speaking, technical and vocational education is highly regarded and valued by all sections of society. Of all the INSSO countries, the Netherlands has the lowest unemployment rate (4.2%), as well as the smallest population. Like most sector skills organisations, sector-based Centres of Expertise collect and analyse labour market intelligence, develop competency standards, into as well as bringing together key industry partners around ‘tri-partite’ boards. One of the most impressive features of the Dutch model is the role the Centres of Expertise play in providing over 200,000 work placements for young people linked to the mainstream education system. Coordinated through an online portal, the Dutch system has so far gone the furthest in terms of linking qualifications and courses to real world labour market outcomes. Colo plays a key role, for example, in publishing the ‘predicted chances’ of people getting a job or an apprenticeship. There has been far less structural reform

compared to other countries. According to Voltman, this means that ‘all the different parts of the system are working with the same resources, rather than constantly inventing new structures to work with.’

Does size matter?

A perennial question for the sector-based approach is the issue of how many sector skills organisations are required. No one country, it seems, has settled on a final answer. An almost universal principle appears to be the issue of grounding industry-led sectors in ‘communities of interest’, such as employers and sector stakeholders working together through voluntary initiatives, to tackle workforce development and skills needs. Some countries have taken a more top-down approach. The UK at one time had 73 sector-based National Training Organisations (NTOs) and in 2001, these were reduced to 25 Sector Skills Councils. A recent skills strategy (in England) has proposed further ‘significant reductions’ in the size of the network despite a comprehensive re-licensing process carried out by the National Audit Office in 2009 that concluded at least 19 out of 25 councils were up to the job. The real reason for further rationalisation remains unclear, but ‘efficiency savings’ is thought to be one major driver.

New Zealand currently has the most sector skills organisations, at 39. This is because the government explicitly set out in the 1992 legislation not to define the exact number of organisations. Because ITOs have to be self-sustaining, it is felt that they will only exist where industry clearly needs them. South Africa is currently grappling with the number of SETAs in the context of a major review of skills development that is being carried out by President Zuma’s government.

So far, Australia has undertaken the most extensive rationalisation of sector bodies, creating 11 Industry Skills Councils. It's still too early to tell whether these new configurations of industry players are able to exert more influence or have significantly more impact than before. The network has lost out to a federally funded 'workplace productivity places' scheme to state territories.

Conclusion

Sector skills organisations are delivering some very unique outcomes in a number of countries around the world. Here our contributors, outstanding leaders of their field, have outlined the impact they are having.

Employers are more engaged in shaping education. Individuals are getting access to formal apprenticeships and work-based training. Qualifications and courses are being better tailored to specific sectoral or industry needs. Sector skills organisations are enabling both countries and companies to become a lot more productive, competitive and skilled. They are helping sectors and supply chains to succeed globally, taking on the many challenges that result from today's fast paced and uncertain world.



The Alliance of Sector Councils
L'Alliance des conseils sectoriels

Canada

The Alliance of Sector Councils

Andrew Cardozo

Executive Director, The Alliance of Sector Councils

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Canada Key Statistics

Population
33,368,000¹

Population and projected growth
Canada's population is projected to grow by 8.0% between 2010 and 2020²

Productivity
Canada is ranked 12th in productivity out of 30 OECD countries³

Public spending on education
11.8%⁴

Unemployment Rate
2010 – 8.2%⁵

Competitiveness level
Ranked 9th (Score 5.33)⁶

Number of sector skills organisations
33 Sector Councils

1 OECD Factbook 2009: Economic, Environmental and Social Statistics.

2 OECD Factbook 2009: Economic, Environmental and Social Statistics.

3 UKCES (2009), Ambition 2020: World Class Jobs and Skills for the UK.

4 OECD, Education at a Glance 2009.

5 Labour Force Survey 2010 www.statcan.gc.ca

6 WEF; Schwab, K. and Sala-i-Martin, X (eds.) Global Competitiveness Report 2009-2010.

Change is constant. With the economy on a constant roller coaster, the needs of the labour market are in constant flux. Yet the one thing we know is that whether in good times or bad, the economy needs a highly skilled and educated workforce, for domestic and internationally competitive reasons.

In Canada, Sector Councils are industry-led partnership organisations. By engaging employers, workers, educators, professional associations and government in a strategic alliance, Sector Councils address the critical labour market and skills development issues and also implement solutions in key sectors of the economy.

Skills development is a high priority in the private and public sectors in Canada. As the population ages and skills shortages increase, solutions require complex cooperation between the federal and provincial governments along with the private sector, educational institutions and a broad range of stakeholders. All the parties have to have make it work with some sense of achievement and satisfaction.

A sense of place

While Canada's population, at just over 33 million, does not constitute an enormous labour market, Canada has the second largest land mass of any country in the world and tremendous economic diversity. This includes car manufacturing in southern Ontario, fisheries on both the West and East coast, hydroelectric, forestry and mining activities in the northern parts of nearly every province, and a highly-skilled technology sector throughout the country.

Canada's proximity to the United States also affects our unique position. Our economy is closely tied to that of the U.S., and the U.S. is by far the largest trading partner for Canada. In 2008, this represented more than \$700 billion in imports and exports.

Ageing population

Like many other countries, Canada is experiencing skills shortages in many sectors. Ageing baby boomers are retiring and positions are not being filled quickly enough by younger workers. Currently several segments of the labour market are being considered to address this gap: foreign-trained workers, Canadians with disabilities, older workers, and Aboriginal people. Canada is also working to ensure young people are better trained/educated for the workforce in non-traditional occupations.

Canada's history of training

A sector-based approach to training and human resource issues was developed in Canada in the 1980s. Prior to this, industry training and research was done only through colleges, universities and technical training institutes.

Labour market research was done at the national, provincial and even local level, and industries were represented through various business associations. But it was rare for all the stakeholders in an industry to work together or share information.

Canada has a long history of trade unions and organisations, as well as business groups and associations going back to the late 1800s, such as the Canadian Manufacturers Association which was formed in 1887 and lobbied the Canadian government to promote vocational education and support skilled workers.

Many industry associations which provide a national voice and advocacy for many of Canada's major industries were established in Canada in the 1930s and 40s. In the late 1940s, the Federal government introduced a variety of programmes, including funding vocational schools and apprenticeships, to support servicemen and veterans returning from the war. More professional associations and organisations were formed throughout the 1960s and 70s, though none would call themselves sector-specific.

In 1963, the Canadian government announced the Industrial Adjustment Service (IAS), which was designed to help employers and workers address workplace restructuring and resulting job losses. This initiative however, was not industry-driven and did not support other sector-specific needs such as certification, labour market research or policy development.

The first Sector Council

In 1985, the Canadian Steel Trade and Employment Congress (CSTEC), which is considered one of Canada's first sector councils, was established as a joint venture between Canada's steel producing companies and the United Steelworkers Union. At that time, the industry faced fair trade issues with steel imported from the United States. It was also a time of restructuring, increased competition and technological advances which resulted in dramatic downsizing of the workforce. The Congress mandate was to 'promote joint research, lobbying and education efforts on steel trade issues.'⁷ CSTEC also worked with the union, training institutions and governments to help workers train for and find new jobs. It was one of the earliest attempts to establish a partnership between labour and management and to collaborate on human resource issues.

In 1989, the Canadian government announced the Labour Force Development Strategy, partly in response to an increase in displaced workers after Canada signed the North American Free Trade Agreement. This strategy allowed unemployment insurance funds to be shifted to occupational training and job assistance, thus encouraging unemployed Canadians to find new employment. The goal of the strategy was to encourage more private-sector participation in and responsibility for labour-force training.

Out of the strategy came several initiatives including the development of the Canadian Labour Force Development Board, the Employability Improvement programme, and the Sectoral Partnerships Initiative (SPI), announced in 1992. The early sector councils, such as CSTEC, as well as the Mining Industry Human Resources Council and the Canadian Automotive Repair and Service Council were used as models in the development of the Sectoral Partnerships Initiative. The stated goals of the programme were to develop 'a training culture and to increase private sector investment in training by matching employers' training investments.'⁸ One key feature of the SPI was the opportunity for industry-driven sector research and the formation of Sector Councils.

A new network of Sector Councils

The Canadian Government expanded the Sector Council network in 2002 as an initiative to further their efforts in workplace skills issues.

Sector Councils, while receiving funding from the federal government, are independent, non-governmental organisations that allow stakeholders to determine unique sector-specific challenges and work to find solutions to these challenges. Typically, the boards of directors are comprised of senior business, labour and other stakeholders. There are over 30 Sector Councils which together cover some 50% of the Canadian workforce. Three major sectors not covered are government, health care and education, in part or on the whole, they operate in the provincial jurisdiction making it difficult for the workforces in each jurisdiction to come together and form a sector council. Further the Canadian model had focused more on the private sector, perhaps with the assumption that public sector organisations are more adept at human resource planning – perhaps more wishful thinking than reality!

⁷ http://www16.rhdcc-hrsdc.gc.ca/psait_spila/ecc_ccs/EtudeB/s_contexte-en.html

⁸ http://www.hrsdc.gc.ca/eng/workplaceskills/sector_councils/faq.shtml

The Alliance of Sector Councils is the network for Sector Councils in Canada and works to address labour market issues and research needs shared by Sector Councils. While each Sector Council determines its own priorities, there are several key areas that are often addressed:

- *Labour market information (LMI)* – Sector-specific research, labour market studies, statistics, trends and forecasts
- *National Occupational standards* – Creating certification boards, industry-approved standards and the development of national accreditation programmes and curricula
- *Sector-specific initiatives* – Increasing labour force participation of under-represented groups. In Canada, this includes immigrants, Aboriginal people and Canadians with disabilities
- *Skills development tools* – Essential skills initiatives, career information and workshops

Labour market information

Most Sector Councils provide industry-specific labour market information and data. One example is the Construction Sector Council which has developed a detailed, complex system of collecting and analysing data that has been vital for the industry. The LMI programme looks at the level of supply and demand for 31 trades and occupations in the construction industry. Data has been collected for nearly 10 years and there is significant input from industry in every province, which insures relevant, local information and statistics. Six other sectors have individually tailored LMI programme which are complex and well-developed. These include the tourism, information and communications technology, environment, electricity, mining and petroleum sectors.

National occupational standards

Sector Councils play a key role in developing certification programmes, industry occupational standards, and accreditation. While many of these initiatives are voluntary, many workers have earned credentials that allows for mobility between occupations and labour markets. For example, the Canadian Aviation Maintenance Council (CAMC) has developed a set of certification and accreditation programmes to ensure individuals working in the industry have the necessary skills, knowledge and abilities to carry out the work.

The Alliance of Sector Councils also works with the Canadian Standards Association to develop guidelines to support national occupational standards, personnel certification and accreditation programmes. This includes the development of unique and relevant training, developed specifically by and for workers in specific industries. Some of the training in different sectors includes: satellite-based and Internet-based training; management training; virtual Human Resources departments; online assessment tools; industry-specific essential skills training; and cross-training initiatives within an industry.

Sector-specific initiatives

Engaging with Aboriginal people is a key priority for all sector councils. Aboriginal people (First Nations, Métis and Inuit) make up nearly 4% of the Canadian population, yet represent the youngest and fastest growing demographic of the country. Add to this the fact that the unemployment rate among Aboriginal people is three times as high as the Canadian average, and there is a tremendous opportunity to match labour market supply and demand in Canada.

Sector Councils also lead the way in developing programmes and initiatives to recognise foreign credentials and integrate immigrants into the Canadian workforce. While the majority of original immigrants to Canada may have come from Britain or France, today, almost 40% of the population is of non-British or non-French heritage. In 2002, nearly a quarter of all immigrants in Canada were first generation Canadians. This has serious implications for Canada's labour market. Gateway to Careers is a multilingual website created by the Alliance of Sector Councils and an immigrant service agency called LASI World Skills. It is a unique career resource available in 12 languages. The website provides essential information on careers in 33 sectors including working conditions, range of occupations, and training required. The website can be found at <http://www.councils.org/careers/>

Skills development tools

Sector Councils are working with all levels of education, including primary, secondary and post secondary institutions to provide industry experience and training and integrate this into formal education curriculum and initiatives. One example would be the four-year pilot project currently underway between Canada's Sector Councils and the Toronto District School Board in Ontario as well as the federal and provincial government. While various Sector Councils (including BioTalent Canada, the Police Sector Council, and the Cultural Human Resource Council, among others) work with high schools to develop pertinent training programmes, this new pilot project is broader in scope. It integrates the ways in which Sector Councils can collaborate, develop essential skills, provide workplace experiences for students, offer enhanced career and labour market information, and develop sector and industry classroom resources.

Size does matter

Canada's Sector Councils face unique challenges due to Canada's size, governance structure, and diversity.

Comprising of ten provinces and two territories, there are often jurisdictional concerns with regard to human resource issues. Some issues and initiatives, such as cross-country labour market information, or the funding of the Sector Council programme, are federal responsibilities. Yet individual provinces are responsible for other aspects of the labour market including training, education, and apprenticeship programmes. In recent years, there has been devolution of labour market matters through Labour Market Development Agreements (LMDA's).

For example the federal government provides funding, but, through the LMDA's, provinces and territories design and deliver labour market programmes, benefits and support measures. Every province establishes different programmes, based on priorities. This can sometimes lead to tensions between regions or between a provincial government or organisation, and the federal government. It also provides challenges to national Sector Councils that need to understand and work with provincial organisations or governments and respond to the unique needs of each region.

'Sector Councils have already done much to help develop a skilled and productive workforce in Canada... Numerous Canadian employers today are already reaping the benefits of the human resource programmes and initiatives that Sector Councils offer.'

Conference Board of Canada

Along with national Sector Councils. Canada has provincial Sector Councils in Manitoba, Quebec, Nova Scotia and Prince Edward Island in a variety of sectors including forestry, construction, tourism and trucking. Each of these provincial Sector Councils can establish its own definitions, parameters and industries within a sector, which may differ from what is defined at the national level. There is a lack of standardisation which can cause some confusion, while accommodating the particularities of the province concerned.

Being good neighbours

Canada's proximity to the United States has many benefits, including general ease of cross-border trade, integrated supply chains, particularly in the auto sector, and a ready market for Canadian goods. But with the two economies intricately interwoven, this country is also open to upheavals felt south of the border, as we have seen with the recent financial crisis. Sector Councils are challenged to develop national standards, programmes and initiatives but this can sometimes negatively affect trade relations with the United States.

Workplace training is also a major issue for all industries. Sector Councils are being asked to develop effective programmes and services, yet the Canadian workforce in different industries varies greatly in size, diversity and location. This can make it difficult to design programmes that meet local needs.

In 2005, the Conference Board of Canada, a national research organisation, conducted a study on Canada's Sector Councils. The report highlights the importance of taking a sectoral approach to skills and learning and demonstrates how sector councils are successfully 'meeting emerging skills requirements, addressing skills and labour shortages, linking education and training processes to sectoral labour market needs, building essential skills in the workplace, and recognising the importance of continuous learning.'⁹

Meeting future skills needs

Canada provides one model for the development and maintenance of Sector Councils. The model works well in Canada, due to this country's size, geographical distances and differences, and helps to bring all interested stakeholders together to find solutions to industry-specific issues and challenges.

Two of the key challenges, not surprisingly, are resources and profile. While councils do receive steady funding from the federal government, through the Human Resources and Skills Development department, and in most cases some level of industry funding, the resources are never enough for the role that the councils are called upon to play. While raising the profile is a goal that is often with mixed feelings – what if a lot more people come to the party, can we serve them all?

The other general challenge is the jurisdictional divisions in Canada. As national councils we do not do curriculum development and training. Rather we do everything up to that point. Then provincial organisations take over. In some ways we are like the European Union with our ten provinces and three territories and all the resulting systems within those jurisdictions. There is a move to synchronise (preferably not standardise!) our systems and some of that is happening. But it is painfully slow. International competition is nevertheless, forcing us along the road to reduce internal barriers.

⁹ Conference Board of Canada, "The Skills Factor in Productivity and Competitiveness; How Canada's Sector Councils are Helping Address the Skills and Labour Needs of Employers, 2005" Conference Board of Canada: 19.

List of Sector Councils

Aboriginal Human Resource Council: Aboriginal workforce participation

Apparel Human Resources Council: Apparel manufacturing industry

BioTalent Canada: Biotechnology industry

Canadian Agricultural Human Resource Council: Agriculture, food safety, environmental regulation

Canadian Apprenticeship Forum: Skilled trades e.g. construction

Canadian Automotive Repair and Service Council: Automotive repair and service industry

Canadian Aviation Maintenance Council: Aviation and aerospace industry

Canadian Council of Professional Fish Harvesters: Fishing industry

Canadian Food Industry Council: Food retail/wholesale industry

Canadian Plastics Sector Council: Plastics processing industry

Canadian Printing Industries Sector Council: Print and graphic communications industry

Canadian Steel Trade and Employment Congress: Canadian steel industry

Canadian Supply Chain Sector Council: Supply of materials, delivery of goods

Canadian Tourism Human Resource Council: Tourism and hospitality industry

Canadian Trucking Human Resources Council: Trucking industry

Child Care Human Resources Sector Council: Child care, nurseries and preschools

Construction Sector Council: Construction workforce

Contact Centre Canada: Customer contact centre industries

Council for Automotive Human Resources: Automotive manufacturing industry

Cultural Human Resources Council: Artists, technical staff, managers in cultural work

ECO Canada: Environmental human resources

Electricity Sector Council: Electricity workforce

Food Processing HR Council: Food processors and manufacturers

Forest Products Sector Council: Sustainable forest products

Forum for International Trade Training: International business practices

HR Council for the Nonprofit Sector: Charity and not-for-profit industries

Information and Communications Technology Council: ICT industry and workforce

Mining Industry Human Resources Council: Mining workforce

Motor Carrier Passenger Council of Canada: Urban transit systems, inter-city bus lines, school buses, other public transport

Petroleum Human Resources Council of Canada: Petroleum workforce

Police Sector Council: Policing workforce

Textiles Human Resources Council: Textile manufacturing and workforce

Wood Manufacturing Council: Wood products



New Zealand

Industry Training Federation

Jeremy Baker

Executive Director, Industry Training Federation

Jeremy Baker has been involved in tertiary education issues since the early 1990s, working in both the public and private sectors, including running his own educational policy and research firm. Jeremy has also worked for Business New Zealand, the national body for the business community in New Zealand, as their Advisor for Education and Training and more recently as Manager of Employment and Skills Policy for the Department of Labour.

New Zealand Key Statistics

Population

4,310, 000¹

Population projected growth

New Zealand's population is projected to grow by 8.8% between 2010 and 2020²

Productivity

New Zealand is ranked 22nd in productivity out of 30 OECD countries³

Public spending on education

18.9%⁴

Unemployment Rate

2009 (Dec) - 7.3%⁵

Competitiveness level

Ranked 20th (Score 4.98)⁶

Number of Sector Skills Organisations

39 Industry Training Organisations

¹ OECD Factbook 2009: Economic, Environmental and Social Statistics.

² OECD Factbook 2009: Economic, Environmental and Social Statistics.

³ UKCES (2009), *Ambition 2020: World Class Jobs and Skills for the UK.*

⁴ OECD, *Education at a Glance 2009.*

⁵ NZ Department of Labour www.dol.govt.nz/lmc/lmrHCFS.asp

⁶ WEF; Schwab, K. and Sala-i-Martin, X (eds.) *Global Competitiveness Report 2009-2010.*

New Zealand, a small country in the southern Pacific, has developed its own approach to sector skills development. This model builds on the long tradition of workplace learning in New Zealand, but has evolved a number of features which set it apart from other sector skills systems across the world. Like many other skills bodies, New Zealand Industry Training Organisations (ITOs) have responsibilities for identifying and promoting the skills needs of their industries, and for developing competency standards and qualifications based on those identified needs. What sets the New Zealand system apart is the active role that ITOs play in brokering formal workplace-related training for nearly 10% of the New Zealand workforce each year.

Training traditions

Skill development and workplace training have a long tradition in New Zealand. The Master and Apprentice Act 1865 was one of New Zealand's first pieces of labour legislation, and established a longstanding focus on workplace education and skills development. By comparison, other parts of the New Zealand 'tertiary' (i.e. post-secondary) education system were relatively undeveloped until the late twentieth century. Universities were established early, but participation rates remained low until the late 1980s. Polytechnics or institutes of technology evolved from senior secondary technical colleges, but participation was also relatively low.

New Zealand underwent considerable social and economic readjustment in the 1980s, following the loss of ready access to key export markets and the global economic turmoil of the 1970s. New Zealand's economy shifted from relatively controlled to relatively open in a few short years, a change which included the removal of much labour market regulation and a significant decline in the influence of organised labour. All of these changes had a serious effect on formal workplace learning. By the early 1990s, the number of people in apprenticeships had fallen to 16,000.

Industry Training Organisations – how they work

Partly in response to this decline, but also as part of a broader set of reforms of tertiary education – which involved greater levels of institutional autonomy for tertiary education providers – the New Zealand government put in place the Industry Training Act 1992. This Act provided for industry groups to establish and seek recognition for 'Industry Training Organisations'. The scheme of the Act was (and remains) strongly industry and demand led. Government did not seek to define the number or structure of ITOs, instead defining broad criteria and objectives which these organisations had to meet. Recognition of ITOs is for up to five years, and requires periodic renewal. The essentials of the original legislative and regulatory framework have been maintained in the following two decades, allowing the continuing evolution of a new form of industry-led skills organisation.

The flexibility of the system is demonstrated by changes in the number and form of ITOs over the period. At its peak, there were 52 recognised ITOs – today there are 39. These vary considerably in organisational form, size and in their business models, from units of trade associations to incorporated societies to corporations. This flexibility has enabled ITOs to grow participation in formal workplace learning from the 16,000 people involved in 1992, to the over 190,000 who participated in 2009.

Core functions

Today, ITOs are described as having three core functions, two of which they share with many similar bodies internationally, and one which is comparatively unique. These roles are:

- *Industry skills leadership* – determining and promoting the skill needs of the industries they represent
- *Defining national skill standards and qualifications* – establishing competency standards and industry-relevant qualifications as part of the New Zealand qualifications system

- *Brokering workplace-related training for employees* – linking individual workplace learning to national industry skill needs

Industry skills leadership

This role is similar to that of many sector bodies internationally, and involves research and analysis of labour market and industry trends to understand skill needs, dialogue with industry leaders and participants (including both employers and organised labour) to establish goals, and the development of industry skills strategies and training plans to achieve those goals.

Each ITO covers an industry sector. The size of industries covered by New Zealand ITOs is highly variable. Some ITOs cover relatively small, tightly defined industry groups, while others cover broad sectors of the economy. How ITOs are organised has been a function of how each sector or industry sees itself; and as these views have changed, so have the shape and structure of ITOs. Collectively, ITOs now have ‘coverage’ for 78% of the New Zealand workforce. The major sectors without ITO coverage are principally the regulated health and education sectors, which have their own statutory bodies which carry out functions similar to those of ITOs.

In recent years, successive governments have sought to draw on the work of ITOs to inform the education and training offered by the rest of the tertiary education system in New Zealand. A recent New Zealand government strategy states:

‘We expect the entire sector to supply skills that are relevant to the labour market. Tertiary providers need to make better connections with industry and ensure they are aware of the likely demand for skills. They should draw on the work undertaken by ITOs to identify skill demands as part of their industry leadership role.’

New Zealand Tertiary Education Strategy 2010-2015

Defining national skill standards and qualifications

The second major role of ITOs is to define competency-based skill standards for their industries, and to package these into modular national qualifications. While they are developed by industry, these standards and qualifications are all publicly available, and education and training providers from senior secondary schools to private sector providers can seek accreditation to offer them. They therefore have the potential to play an important role across the whole vocational education and training system.

ITOs currently maintain over 1,000 national certificates and diplomas, and more than 17,000 industry-relevant, competency-based, skill standards. These standards and qualifications dovetail well with the standards-based qualification system for senior secondary education in New Zealand, and there is a growing focus on providing better options for young people to transition well from school to tertiary education and into work. Already 30% of New Zealand secondary students are attaining industry standards while enrolled in school. In total, more than 200,000 secondary and tertiary students make use of ITO-developed national standards each year, in addition to the 190,000 industry trainees supported through industry training.

Brokering formal workplace-related training

The comparatively unique aspect of the New Zealand system is the direct role that ITOs play in brokering workplace-related vocational education and training for the employees of nearly 35,000 enterprises each year.

The training brokerage activities of ITOs are focused on those in employment, rather than on pre-employment education and training. Government provides funding to ITOs to arrange training for employees, in partnership with employers. The principle of co-payment is built into the model; employers are expected to make both cash and in-kind (time, facilities, equipment and so forth) contributions.

The funding available to ITOs for this activity is lower than that provided for equivalent provider-based training, on the assumption that some of the benefits of workplace-related training are captured by employers and because the workplace-focused delivery model is deemed to be more cost-effective. However, since all government funding for ITO-arranged training must be linked to national, industry-relevant, skill standards and qualifications, the focus is on developing an industry-wide set of skills, rather than on firm-specific skill development.

How ITOs go about brokering or arranging training varies considerably. Some purchase a great deal of training from tertiary education providers, while others put most of their resources into supporting on-the-job learning through employers. Most make use of a range of approaches. Considerable emphasis is placed on quality assurance of assessment, ensuring that attainment of skill standards is demonstrated by actual performance in a workplace context. The system of registered workplace assessors plays a key role in this.

While ITOs have three clearly defined statutory roles, many also carry out other activities for their industries or for government agencies. Most ITOs are involved in the accreditation of tertiary education providers and schools to offer the standards and qualifications for which they are responsible. Many ITOs support secondary schools in their delivery of vocational education and training. A good number of ITOs take on work with individuals on benefits, working with training providers to help them gain skills and transition into work and workplace-learning. And a number of ITOs offer fully commercial training and other services in areas where government funding is not available.

More training, better skills

ITOs have increased the level of participation in formal workplace-related education and training more than ten fold, and has provided training and skills recognition to many people who had no formal skill recognition. Industry training in New Zealand has been particularly successful for Māori and for people of Pacific Island descent. Participation rates by people in both these groups has been considerably higher than their share of the workforce.

The flexible nature of the ITO model has enabled it to expand to areas where there has never been a tradition of formal workplace learning or skill recognition. Areas such as aged care, the primary and services sectors, retail, tourism, transport and many others have joined the traditional trades in being covered by ITOs.

The training brokerage model has produced measurable gains. Each year, the average employee involved in training arranged by an ITO gains 20 credits⁷ of industry-relevant national skill standards; over their whole programme, the average trainee gains 53 credits. This more than the minimum 40 credits required for many vocational national certificates. Each year over 35,000 employees gain national qualifications, and this number is growing as the system matures. Recent research indicates a direct connection between successful ITO-arranged training and improvements in employment retention and wages,⁸ and other research indicates strong workplace productivity gains from ITO-arranged training.⁹

The training brokerage work of ITOs is also highly cost-effective. Government invests around New Zealand \$1,000 per trainee involved in the system each year; this is a third to a quarter of alternative options. Completion rates in ITO-arranged training are essentially the same as those in equivalent provider-based

⁷ A 'credit' is a notional measure of learning now common across the New Zealand tertiary education system. It is notionally equivalent to the quantum of skill, knowledge or expertise that can be acquired through 10 hours of study, but the focus is on skill complexity, performance and outcomes, rather than time served.

⁸ Does Workplace-based Industry Training Improve Earnings? (2009) Statistics New Zealand and Department of Labour.

⁹ The Skills-Productivity Nexus: Connecting Industry Training and Business Performance (2008) Department of Labour & the Industry Training Federation.

programmes, despite the fact that all those in industry training, by definition, are in part-time study and in work. Consequently, the cost per qualification completion for ITO-arranged training is a third to a quarter of that of equivalent programmes offered by tertiary providers.

Ironing out issues

The system is not without its challenges. It has grown comparatively quickly, and there are ongoing demands from industry and government for improvements in performance, particularly in qualifications completion rates. ITOs face the particular challenges that all the employees for whom they arrange training are working, and thus learning part-time, and that many have no history of success in education and training.

Another significant challenge has been the lack of integration between national qualifications developed and maintained by ITOs, and the proprietary qualifications developed and offered by many tertiary education providers in New Zealand. In addition to the 1,000 national qualifications managed by ITOs, there are nearly 5,000 other provider qualifications which receive government funding.

This situation has created considerable confusion for students, schools, employers and the public. Recent governments have, however, recognised this problem, and have begun the process of addressing it.

'We are also taking steps to reduce the proliferation of sub-degree qualifications. The number of qualifications has increased considerably, due to individual providers developing their own qualifications... We will strengthen the role of national qualifications and manage the growth of provider qualifications.'

New Zealand Tertiary Education Strategy 2010-2015

ITOs will have an important role to play in addressing this issue, as the developers of most of the national qualifications in New Zealand.

Finally, ITOs have struggled to achieve the level of influence over vocational education and training provision in senior secondary and tertiary education that is envisaged by their leadership role, principally through a lack of clear mechanisms to give effect to their industry skills leadership role. While it is possible that changes to qualifications policy may improve this, ITOs are also seeking to tackle this issue by forming 'cluster' groups of ITOs with similar sectoral interests. These groups, which include clusters in the building and construction, services and transport, and primary sectors, seek to improve the level of influence of ITOs on behalf of industries and sectors, as well as open up new opportunities for efficiency and performance gains.

ITOs and the industries they represent are looking to work with government in New Zealand to improve the coherence and relevance of the whole vocational education and training system – from senior secondary education, through study with tertiary providers, and into the world of work. ITOs have a key role to play in assisting government achieve better value for taxpayers', students' and industries' investment in vocational education and training.

The future for ITOs?

The New Zealand model of sector skills development is characterised by a high degree of industry ownership and control, and by the direct, hands-on, role that ITOs play in brokering training for those in employment. Flexibility in organisation structures and business models, cost-effectiveness, and an element of industry co-payment have all been important elements in its success, as has linking workplace-related training to wider industry skill needs and standards.

The ITO model has succeeded in expanding participation by new industries and workers, and has attained outcomes equivalent to more established and better funded parts of the tertiary education sector. It faces a number of challenges, but it is well positioned to move to a greater focus on achievement and on firm, industry and sector productivity gains, as well as extending the influence of industry to the wider vocational education and training system.

List of Industry Training Organisations

Agriculture ITO: Farming, wool handling, classing & shearing, stock & station, fencing, water supply & wastewater, agribusiness, poultry

Apparel and Textile ITO: Carpet, clothing & textile manufacturing, dry cleaning, laundry

ATTO: Aeronautical engineering, air crew, airport operations, rental car services, tourist operators, casinos, travel agents, tour wholesalers & booking offices, museums

Boating ITO: Boat building, marine sales

Building and Construction ITO: Carpentry, concrete, construction, plastering, interior systems, floor & wall tiling

Building Service Contractors ITO: Contract cleaning; caretaking; urban pest management.

Careforce: Elderly care, disability support services, diversional therapy

Communications and Media ITO: Includes both PrintNew Zealand Training and the New Zealand Journalist's Training Organisation

Competenz: Food & beverage processing, engineering, refrigeration, heating, air conditioning, locksmithing, fire alarms & protection systems

Creative Trades ITO: Painting & decorating, coatings, sign making, masonry, bricklaying

Electricity Supply ITO: Power production, transmission & maintenance

ETITO: Ambulance, contact centre, electrotechnology, financial services, offender management, security, telecommunications

Equine ITO: Horse breeding, racing, farriering, stable practice, equestrian coaching

Extractives ITO: Quarrying, mining, drilling, explosives, tunnelling, gas, petrochemicals, abrasive blasting, protective coatings, resource recovery, waste management, steam and hazardous gases

Fire & Rescue Services ITO: Structural and industrial, vegetation, airports and industrial emergency response, and workplace emergency risk management.

Flooring ITO: Sanding & finishing, carpet laying, vinyl & wood installation, retail/wholesale sales & support

FITEC: Planting, harvesting, wood processing, wood product manufacturing, furniture manufacturing, finishing, upholstery, bedding, steel furniture, retail

Funeral Service Training Trust: Embalming, funeral directing & services

HITO: Hairdressing, barbering, beauty services, salon management

Horticulture ITO: Plant and forest nursery, fruit & vegetable production, floristry, landscaping, arboriculture

Hospitality Standards Institute: Hotels & accommodation, cookery, food & beverage service, business management

InfraTrain: Road & pavement construction & maintenance, demolition, agricultural spraying, surveying, property valuation

Joinery ITO: Joinery, kitchen manufacture, laminate fabrication, aluminium joinery. Glazing, glass processing, automotive reglazing, decorative and art glass.

Journalists' Training ITO: Journalism across all media

Learning State: Conservation, customs, meat inspection, public sector services, forensic photography, intelligence analysis

Local Government ITO: Animal control, pest & plant control, council committee management

MITO: Automotive engineering, panel beating, grooming, sail making, canvas fabrication, painting

NZITO: Dairy manufacturing, research livestock improvement, meat processing, fellmongery

Opportunity Training: Power crane operation, rigging and slinging loads, scaffolding, rigging and industrial rope access

Pharmacy Training: Community or hospital pharmacy

PAMPITO: Plastics production, glass container manufacturing, paint, ink & resin manufacturing, pharmaceutical manufacturing (excluding medicines)

Plumbing, Gasfitting, Drainlaying and Roofing ITO: Plumbing, gasfitting, drainlaying, and roofing

PrintNZ Training: Printing, binding, finishing, administration, carton making, graphic communication

Real Estate Institute of New Zealand ITO: Real estate services

Retail Institute: Retail & wholesale, merchandising, stock control

Retail Meat ITO: Boning & cutting, packing, meat retail

Seafood ITO: Aquaculture, seafood processing & retailing, vessel operations

Skills Active: Community recreation, snow sports, coaching, fitness

Sports Turf ITO: Turf management, green keeping

Social Services ITO: Social & youth work, mental health, counselling

TraNZ: Truck transport, bus & coach, taxi, courier, logistics, distribution, warehousing, ports and stevedores

United Kingdom

The Alliance of Sector Skills Councils

Tom Bewick

Chief Executive, Enterprise UK

Tom Bewick is the main architect of the UK's sectoral skills policy reform, initiated in 2001, when he was appointed by the Minister for Adult Skills to lead the team responsible for setting up a 'stronger, smaller network' of Sector Skills Councils. In 2004 he was appointed the founding Chief Executive of Creative & Cultural Skills, a Sector Skills Council he established from scratch, to serve the workforce needs of advertising, crafts, cultural heritage, design, music, performing, literary and visual arts. Praised by the Prime Minister for his contribution to the creative economy and for establishing the first National Skills Academy for the creative industries, he was appointed in April 2010, as the Chief Executive of Enterprise UK – a leading business council – to encourage a more enterprising society. He was until March 2010, a board member of the Alliance of Sector Skills Councils.

UK Key Statistics

Population
61,858,000¹

Population projected growth
The UK's population is projected to grow by 7.1% between 2010 and 2020²

Productivity
The United Kingdom is ranked 11th in productivity out of 30 OECD countries³

Public spending on education
11.9%⁴

Unemployment Rate
2009 – 7.8%⁵

Competitiveness
Ranked 13th (Score 5.19)⁶

Number of sector skills organisations
25 Sector Skills Councils

¹ OECD Factbook 2009: Economic, Environmental and Social Statistics.

² OECD Factbook 2009: Economic, Environmental and Social Statistics % change from 2010 – 2020.

³ UKCES (2009), Ambition 2020: World Class Jobs and Skills for the UK.

⁴ OECD, Education at a Glance 2009.

⁵ Office for National Statistics www.statistics.gov.uk/cpi/nugget.asp?ID=12

⁶ WEF; Schwab, K. and Sala-i-Martin, X (eds.) Global Competitiveness Report 2009-2010.

A decade ago, the case for the introduction of the Sector Skills Councils (SSCs) as the ‘missing dimension’ in the UK’s training and education landscape was made. Sector Skills Councils in the UK are the result of over 50 years of experimentation with sector-based approaches to skills and workforce development. Overall, they are considered the right approach to ensure a more demand-led education and training system in the UK. Comparatively, Sector Skills Councils enjoy more public funding as well as both industry and government support than similar models currently elsewhere in the world. However, some would argue that Sector Skills Councils are currently under-utilised in the UK system, and that, given their potential to respond to individuals’ and employers’ needs, they have yet to achieve the scope and impact of which they are capable.

UK attempts to engage industry in education

The UK has a chequered history in terms of its sector-based approach to training and industrial policy: a pendulum swing in many ways, between statutory state intervention in one era followed by the laissez-faire deregulation of another, resulting finally in the New Labour, third-way compromise that we see embodied in Sector Skills Councils today. SSCs are neither creatures of the state in their powers or composition nor purely voluntary in their scope and influence over the UK’s employment and skills system. Sector Skills Councils are, in fact, a hybrid. To understand their development we need to travel back in time, briefly, to the 1950s.

Britain’s post-war experiment with sectors – the old industrial economy model

In the immediate post-war period, successive governments were concerned about Britain’s relative economic decline. In Britain of

the 1950s and 60s the skills debate specifically manifested itself in a crisis of severe labour shortages. Skilled migration from Commonwealth countries such as India, Pakistan and the Caribbean met part of the shortfall. And Britain today, of course, is very much more dynamic, diverse and culturally enriched because of it.⁷

Back then, the development of industrial training policy was based around Keynesian principles of ‘demand-side management’ because it was believed to be the main answer to Britain’s growing output and productivity gap with the rest of the world, particularly in manufacturing.

Industrial Training Boards

In 1964 an Industrial Training Act established 22 statutory Industrial Training Boards (ITBs). Captains of industry and trade union officials, usually appointed by the Secretary of State, directed the running of the ITBs. Although industry-led, in many ways ITBs were no more than agents of the state, empowered to collect levies (or taxes) directly from industry firms ‘within scope’ to them. ITBs were accountable directly to Ministers albeit within a ‘tripartite’ arrangement in which employers and unions sat around the same table as the President of the Board of Trade.

Both the Trades Union Congress (TUC) and the Confederation of British Industry (CBI) were active participants in shaping industrial training policy before the neo-conservative view came to pervade policy discourse. Today, our peak-level bodies play a more benign but nevertheless influential role in shaping the training system. Arguably, individual employers and unions – working through bodies like Sector Skills Councils – now play the more active part in influencing the education and skills agenda than trade bodies do.

⁷ ‘The impact of migration’, Home Office. <http://www.official-documents.gov.uk/document/cm72/7237/7237.pdf>

By 1974, some British politicians and business groups were complaining heavily that the ITBs were too bureaucratic, more concerned with raising levies through an increasing army of compliance inspectors than being genuinely responsive to industry training needs. At the macroeconomic level, the ITB cause was not helped by a continued slide in productivity levels, decreased manufacturing output, devaluation of Sterling and, under both Conservative and Labour governments, industrial strife.⁸

It would take the neo-liberal, free market reforms ushered in by Margaret Thatcher's administration to dismantle what remained of the corporatist state. By 1982, the government had abolished most of the ITBs except for two sectors: engineering and construction. These two boards still exist to this day and one of them – Construction Skills – is also the Sector Skills Council.

Decline in sectors, localism takes over

The 1980s and early 90s witnessed a relative decline in interest among policy makers in the UK toward sector-based approaches to training. Over 180 Industry Training Organisations (ITOs) and standard setting bodies sprang up from the ashes of the old ITB system, which in turn eventually morphed into a government recognised, but very poorly funded network of 73 National Training Organisations (NTOs). The NTOs were weak and ineffectual voluntary bodies and were eventually replaced in 2001 by a smaller, stronger network of employer-led Sector Skills Councils.

The big new player in town during the 1990s – heavily influenced by the development of Private Industry Councils (PICs) in the United States – was a geographical network of 82 Training and Enterprise Councils (TECs) based in England and Wales and

22 Local Enterprise Companies (LECs) in Scotland. These employer-led private companies worked under contract to the state delivering skills and employment programmes defined centrally by the Department for Education and Employment.

There was constant tension between the TECs and central government throughout this period, leading to their abolition in 1999 by the new Labour government, replaced by a government agency in 2000, called the Learning & Skills Council (LSC). This is one of the largest government agencies in Europe distributing over £10 billion per annum to all post-school leaving age education and training providers in England except universities (higher education has a separate funding council). In keeping with the merry-go-round of constant upheaval and structural reform – to the frustration of many employers – the government in England has abolished the LSC from April 2010, replacing it with 4 new state enterprises! These comprise of a Young People's Learning Agency (YPLA) for learners up to the age of 19, a Skills Funding Agency (SFA) which will operate the funding for 19+ learners and which in turn comprises 'client-focused gateways' including the new National Apprenticeships Service (NAS), and a National Employer Service (NES). This is happening despite government pronouncements to drastically simplify the skills system.⁹

The UK's Sector Skills Council model

Created in 2001, Sector Skills Councils cover 90% of the UK workforce. The original policy document, 'Meeting the Sector Skills and Productivity Challenge', outlined a new vision for employers working through industry sectors, arguing that sectors represented the 'missing dimension' in the UK's response to tackling skills issues and raising productivity. At the time, productivity lagged behind that of the USA, France and Germany.

⁸ Garbarino, J, 'The British Experiment with Industrial Relations Reform' *Industrial and Labor Relations Review*, Vol. 26, No. 2 (Jan., 1973), pp. 793-804 <http://www.jstor.org/pps/2521682>

⁹ Skills for Growth, (2009) The Department for Business, Innovations and Skills

Central government made core administrative funding available for the first time – over £1 million per annum – almost quadrupling the amount available to the new remit compared with the average resources available to each NTO.¹⁰ Sector Skills Councils were also promised significant influence over the supply of education and training and this initially manifested itself in terms of qualifications reform.

Sector Skills Councils operate under a renewable 5-year licence, granted by the Secretary of State for Business, Innovation and Skills. Ministers in each of the devolved administrations, Scotland, Wales and Northern Ireland, must also give their approval. This follows a major review of skills policy carried out by Lord Leitch in 2006,¹¹ recommending the establishment of a UK Commission for Employment and Skills (UKCES) which happened in April 2008. UKCES has a much broader remit than simply regulating and funding SSCs. It is also the apex body for advising ministers across the UK on skills and employment-related matters.

SSC relicensing

The Commission is currently overseeing a SSC relicensing process, assessing each SSC on the basis that it will be able to deliver fully on its core remit to:

- Reduce skills gaps and shortages
- Improve productivity, business and public service performance
- Increase opportunities to boost the skills and productivity of everyone in the sector's workforce
- Improve learning supply including apprenticeships, higher education and National Occupational Standards (NOS)

In addition, re-licensed SSCs must also demonstrate added value for sector employers:

- Raising employer engagement, demand and investment in skills
- Ensuring authoritative labour market information for their sectors
- Developing national occupational standards and ensuring qualifications meet employer needs

According to UKCES: 'SSCs provide employers with a unique forum to express the skills and productivity needs that are pertinent to their sector.'

At the time of writing 19 out of 25 councils passed the rigorous assessment process. English Ministers have subsequently called for a 'significant reduction' in the number of SSCs by 2012, probably to single figures.¹²

SSC funding

As all SSCs have a remit to deliver broadly the same things, they receive roughly a similar amount of core public funding from the UKCES – approximately £1.8 million per annum to deliver the 4 key goals outlined above. But the overall public and industry investment in SSCs varies widely. The average turnover of an SSC is between £4 and £5 million per annum. For example, the annual turnover of Creative & Cultural Skills representing a workforce of approximately 700,000 is currently £5.7 million, slightly above the network average. However, there are some SSCs that have a turnover size – obtained mainly through other forms of public funding – that are in excess of £10 million per annum.

¹⁰ See, Bewick, T. Guardian comment piece, 15th July 2008. <http://www.guardian.co.uk/education/2008/jul/15/furthereducation.educationguardian2>

¹¹ Leitch Review of Skills (2006), Her Majesty's Treasury, http://www.hmtreasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm

¹² Skills for Growth (2009) Department of Business, Innovation and Skills

The largest Sector Skills Council in financial terms receives a large proportion of its money directly from industry. The reason? Because it is one of the few remaining industry training boards with statutory levy raising powers – i.e. CITB Construction Skills. There are some SSCs that receive direct voluntary cash contributions from employers, such as Creative & Cultural Skills,¹³ but the vast majority of the network is quite dependent on public funding for its existence albeit with substantial ‘in-kind’ contributions from industry.

The issue of whether or not to fund Sector Skills Councils from collective measures raised from employers, such as levies, or through continued state funding remains a consideration. Indeed, there is quite some controversy surrounding the funding structure of SSCs which is likely to become even more pressing following a UK general election in May 2010.

Governance: the independent status of SSCs

The vast majority of Sector Skills Councils are constituted as private, not-for-profit limited companies. In some cases they are registered charities. As companies or charities, they will be overseen by a board of directors – usually senior industry figures – and run by a chief executive and staff team who will be tasked by the board to implement the SSC’s strategic and operational plans. Charitable status confers certain financial advantages such as not paying corporation tax on annual surpluses since these are reinvested back into the objects of the charity. Trade associations are not usually allowed to operate as Sector Skills Councils, although an exception was made for Automotive Skills in 2007, which is a merger with the Institute of the Motor Industry (IMI), a professional body.

¹³ The theatre sector pays an annual subscription of £50,000.

What do SSCs deliver?

What Sector Skills Councils actually deliver will depend on the specific issues affecting the sectors they represent. They must translate the four key goals (above) set down by government into a workable strategy that carries the widest possible support of employers and stakeholders in the sector. For example, some sectors have skills shortages driven by low pay or a poor image of the sector. In this situation, the SSC will want to develop strategies that either tackle these negative perceptions (by developing positive marketing campaigns for example), or work with employers to devise ways of boosting pay rates through productivity gains. It is the job of the Sector Skills Council to work out how these productivity gains might come about but it is ultimately in the hands of employers to decide whether or not to implement them. For example, in the creative industries, there is currently a chronic lack of workforce diversity (equal opportunities) so the Sector Skills Council, Creative & Cultural Skills, has devised a non-graduate entry-level apprenticeship scheme to help boost the supply of more non-traditional entrants.¹⁴ Another SSC might adopt completely the opposite approach because it is concerned with attracting more university graduates into the sector. The point is that both approaches are valid when seen through the lens of the sectoral approach.

The core and non-core products

While there is considerable scope for differentiation, all Sector Skills Councils will deliver a set of core products. These include:

- Labour Market Information about the sector (LMI)
- National Occupational Standards (NOS)
- Apprenticeships Frameworks
- Careers advice and guidance

¹⁴ See, www.creative-choices.co.uk/apprenticeships

- Sector Skills Agreements (action plans for meeting skills needs)
- Sector Qualification Strategies
- Skills Academies*
- Management & Leadership*
- 14-19 Diplomas in England*
- Young Apprenticeships in England*
- Sector Compacts in England* (i.e. earmarked training budget)
- Industry-school business partnerships*
- Further and Higher Education partnerships*

* = Optional, non-core

National Skills Academy

- Over 1.7 million enterprises and 28 million workers have benefited from having SSCs since 2001
 - People 1st has improved apprenticeship retention, saving £15 million in wasted public expenditure each year
 - Creative & Cultural Skills has pioneered an online careers and leadership portal – Creative Choices° – supporting 190,000 people in the first year
 - Improve – National Skills Academy set up for Food and Drink Manufacturing. 14,000 learners have been trained so far on accredited, industry-approved courses.
-

The work of Sector Skills Councils extends much further than delivery of the core products assigned by the UKCES. An independent study by the business advisors Baker Tilly showed that each private-sector serving SSC made gains in the region of between £100 and £130 million from a public sector investment of £5 million. The investment has shown a return of on average 20 times the original investment by the government for each SSC.¹⁵

The view held by the Alliance of Sector Skills Councils is that SSC's are extremely underfunded for their remit. This view is shared by independent commentators and was also advanced by a Select Committee of MPs in 2007. A recent report by the think tank Policy Exchange noted that the Leitch review of 2006 'left SSC's with burdens that a government department would struggle to deal with'¹⁶ due to the wide ranging tasks that Westminster has imposed on them.

Skills development for recovery

We have recently witnessed the first global recession to affect Britain in a post-industrial age. The impact has caused a reconfiguring of policy approaches towards our learning and skills systems, with recent pledges focusing on stimulating higher-level skills and increasing technical skills.

Yet even before the recent recession policy has struggled to tackle entrenched inequalities in the labour market. Social mobility has actually declined since the 1980s. People on incapacity benefits are at a record high. While income inequality has showed signs of narrowing in recent years, internationally, the UK is the 7th most unequal country in the OECD. These trends have a profound impact on the skills distribution found among the population and shape both employer and individual attitudes toward training.

¹⁵ Baker Tilly (2010) Economic Impact Report

¹⁶ Policy Exchange, Simply Learning: Improving the Skills System in England, page 37, http://www.policyexchange.org.uk/images/publications/pdfs/Simply_Learning_-_Jan_10.pdf

Access to the professions is becoming the preserve of the better off who often have entry to the best universities, financial maintenance support arrangements and social contacts. Progression from vocational courses to higher education, such as apprenticeships, is a meagre 0.2%, helping to entrench the academic/vocational divide.¹⁷

The prognosis is not good either in terms of productivity. According to the UK Commission for Employment and Skills' recent report, *Ambition 2020*, the UK is currently ranked:

- 11th in the world in productivity levels
- 10th in employment
- 14th in income inequality
- 17th on 'low-level' skills
- 18th on 'intermediate' level skills
- 12th on 'high-level' skills

In 1900 England was ranked number 1 in the world in most of these indices. Our ambition now is to rise to the top 8 by 2020 but the Commission itself ominously warns that we may slip still further behind. 'Unless we act decisively, we will not be in the top eight countries of the world at any skill level',¹⁸ they argue in the report.

It is not all doom and gloom: the UK has significantly improved both the flow and the stock of skills over the past decade. In particular, we have significantly helped millions of people gain basic employability skills. Moreover, there is evidence that some market reforms have boosted student choice without putting at risk either fair access or quality. Britain is a diverse country at the forefront of new industries like the creative sector. The UK is more of a learning society today, according to the European Union, than most of our major competitors. It is also a more open society in

terms of the migration flows in recent years from Central and Eastern Europe.

Radical reform

Building on the strengths of the UK's current skills system will require a major shift away from complex, top-down driven processes and targets. Employers and individuals want a greater purchase over skills training and the new role for government is to encourage a more managed market with greater responsiveness and consumer choice at its core. We need to do more to empower learners as customers, give employers more tangible leadership of the skills system, including a significant shift of power away from excessive bureaucracy at the centre. The fiscal crisis requires more value for a lot less money, including a radical consolidation of how skills policy is delivered.

There has been a lot of talk over recent years of a move to a 'demand-led system' – there is hardly a skills strategy that does not contain the term. But, in reality, it remains a distant prospect in most countries. The difficulty is – whose demand?

The sort of 'demand-led' that the UK has pursued in recent years has been mainly led by the demands of parents, students and the education profession, not employers. It has been like Soviet tractor factories, where demand was not based on what Russian agriculture needed to yield to fill supermarket shelves but was a centrally driven system designed to please state officials. In other words, producer – not consumer – led.

How do we make our system simpler?

Employers in the UK are crying out for a simpler, more customer-focused system and nearly everyone agrees that the system we have now is far too complex. The UK Commission has recently recommended getting rid of over 30 organisations in the skills

¹⁷ Skills for Growth (2009) Department of Business, Innovation and Skills

¹⁸ *Ambition 2020* (2009) UKCES

and education landscape¹⁹, a recommendation that has been taken up by the Government in their recent skills White Paper.²⁰ However, as LSN Chief Executive John Stone pointed out in his response to the paper, simply reducing the number of agencies may not be enough, and could actually lead to further confusion and complications if it is not accompanied by a thorough root and branch review of the underpinning structures and rationale.

As mentioned earlier, the current track record for simplification is not looking good – with the LSC being replaced by a collection of four new agencies and subsidiary bodies, and Departmental restructuring. However in terms of a sector-focused approach, there are still positive signs with the April 2009 White Paper ‘New Industries New Jobs’ demonstrating that government is looking with a sectoral lens at how to stimulate new growth.

If we were designing the system from scratch, our starting point would be the customer or purchaser of post-school education and skills training. Obviously government has a role on behalf of us all to make sound and strategic investments in the skills and talent that will drive our future prosperity. But make no mistake, it is employers and individuals who are at the apex of any really responsive training system. At the moment in the UK we support them through a complex network of funding councils and student loans companies.

Skills bank

We could in future streamline all these sources of state financial support through a single Learning and Skills Bank. The mechanism for distributing funds to students and employers would be via individual and company skills accounts. For the first time this would put real purchasing power in the hands of those who undertake the training.

How would we ensure that this didn't lead to a free-for-all of unlimited demands on taxpayer support or poor provision?

That's where government, sector bodies and the regulators would come in. Even the most laissez-faire economists would agree that successful markets have to be well managed and regulated. And education, of course, is far from being a perfect market.

In the future SSCs could play that pivotal role, operating between state and market. For example, SSCs would use labour market intelligence to accredit or 'kite-mark' the industry provision that was able to attract public-sector support. The Learning and Skills Bank would bring together taxpayer monies (capped per individual or at company level) and enable private contributions, in certain cases attracting tax breaks. This is a very similar model to the personal pensions industry.

If the Bank were distributing the money, SSCs would play a key role in more clearly articulating – by 'price signalling' – the provision that leads to higher levels of skills or productivity performance. They would be ideally placed to signal prices and benchmark appropriate costs for provision being in close proximity to the employers in their sector. Providers would then be far more responsive to industry demands since it would be the only way to attract the money (and 'customer loyalty') of employers and trainees. Because public and private money follow the individual in this model there would be limited scope for supply-dominated provision.

The Regulator would need to ensure the market worked fairly and in the interests of everyone. As well as having responsibility for licensing SSCs and regulating qualifications, they would have the power to intervene in areas of market failure or where there was not enough demand for skills. In the construction industry, for example, where market failures can put health and safety at risk, the training on offer needs to be strongly directed and monitored.

¹⁹ Skills, Jobs, Growth (2009) UK Commission for Employment and Skills

²⁰ Skills for Growth (2009) The Department for Business, Innovation and Skills

These are just my personal thoughts, not established or accepted policy, but this simplification, if carried out, would probably simplify the system to four key players:

- the Learning and Skills Bank
- Sector Skills Councils
- the regulator
- impartial advice and guidance services

Markets drive productivity

No country has a perfect employment and skills system. But if the purpose of any industry training is to drive improvements in productivity, then we probably have to move to a simpler and more market-led approach. This approach needs to be underpinned more clearly by skills that raise productivity performance and therefore long-run economic growth.

Economic theory and international best practice show that industries – working through sector bodies – are key to raising standards. It is like the keyhole surgery practised by some of our finest clinicians and SSCs are the keyhole surgeon equivalents: we find innovative, cost-effective and practical ways of meeting the needs of industry.

NB: This chapter is an abridged extract of Tom Bewick's 'On demand' pamphlet for LSN, published April 2010.

List of Sector Skills Councils²¹

Asset Skills: Property, Facilities Management, Housing and Cleaning

Cogent: Chemical and Pharmaceutical, Oil, Gas, Nuclear, Petroleum and Polymers

Construction Skills: Construction

²¹ The number of SSCs will change on 1st April 2010 when the relicencing process completes.

Creative & Cultural Skills: Advertising, Crafts, Music, Performing, Heritage, Design and Arts

Energy and Utility Skills: Gas, Power, Waste Management and Water Industries

E-Skills UK: Business and Information Technology, including Software, Internet & Web, IT Services, Telecommunications and Business Change

Financial Services Skills Council: Financial Services, Accountancy and Finance

Go Skills: Passenger Transport

Government Skills: Central Government

IMI – The Institute of the Motor Industry: Retail Motor Industries

Improve: Food and Drinks Manufacturing and Processing

Lantra: Environment and Land-based

Lifelong Learning UK: Community Learning, Education, FE, HE, Libraries, Work-based Learning and Training Providers

People 1st: Hospitality, Leisure, Travel and Tourism

ProSkills: Building Products, Coatings, Extractive and Mineral Processing, Furniture, Furnishings and Interiors, Glass and Glazing, Glazed Ceramics, Paper and Pulp and Printing

Skillset: TV, Film, Radio, Interactive Media, Animation, Computer Games, Facilities, Photo Imaging and Publishing

Skills for Health: UK Health

Semta: Science, Engineering and Manufacturing Technologies

Skills for Justice: Policing and Law Enforcement, Youth Justice, Custodial Care, Community Justice, Courts Service, Prosecution Services and Forensic Science

Skillfast-UK: Fashion and Textiles

Skills for Logistics: Freight Logistics and Wholesaling Industry

SkillsActive: Sport and Recreation, Health and Fitness, Outdoors, Playwork and Caravanning Industry

Skillsmart: Retail

Skills for Care and Development: Social Care, Children, Early Years and Young People's Workforces in the UK

Summit Skills: Building Services Engineering

Australia

Industry Skills Forum

Bob Paton

Chief Executive Officer, Manufacturing Skills Australia

Bob Paton was appointed as CEO of Manufacturing Skills Australia in 2004, following eight years as the National Executive Officer of the Manufacturing, Engineering and Related Services Industry Training Advisory Body. He also has twenty years teaching experience within the engineering sector.

Australia Key Statistics

Population
21,244,000¹

Population projected growth: % change from 2010 – 2020
Australia's population is projected to grow by 10.2% between 2010 and 2020²

Productivity
Australia is ranked 15th in productivity out of 30 OECD countries³

Public spending on education
13.9%⁴

Unemployment Rate
2010 – 5.3%⁵

Competitiveness
Ranked 15th (Score 5.15)⁶

Number of Sector skills organisations
11 Industry Skills Councils

¹ OECD, Factbook 2009: Economic, Environmental and Social Statistics.

² OECD, Factbook 2009: Economic, Environmental and Social Statistics

³ UKCES (2009), Ambition 2020: World Class Jobs and Skills for the UK.

⁴ OECD, Education at a Glance 2009.

⁵ Australian Bureau of Statistics, Media release, 11th March 2010 www.abs.gov.au

⁶ WEF; Schwab, K. and Sala-i-Martin, X (eds.) Global Competitiveness Report 2009-2010.

Industry Skills Councils in Australia are the most recent form of organisation charged with supporting skills and workforce development in their respective industry sector.

Australia is a young nation, with British settlement from 1788 and under colonial rule until the various Australian colonies were formed into a self-governing federation in 1901. More than half of our 22 million people are employed in the full time and part time workforce. The ties and values of the federation are stronger than ever and we continue to work towards a comprehensive and inclusive national system of (amongst other things) workforce participation and development, skills acquisition and recognition.

This quest is supported by our governments, industry and the community at large. The policy and structural changes over recent times are bringing about a more consistent approach to skills and their role in the economy.

Equal public and private investment in training

The Commonwealth of Australia is made up of eight regional jurisdictions - six states and two territories. The federal government collects the majority of personal and business income tax as well as a national goods and services tax. The bulk of these funds are re-distributed to the state and territory governments. Public funding for the vocational education and training (VET) system in Australia totals approximately AU\$4.1 billion (2008). This is mainly provided by the states and territories, with approximately 30% provided by the Australian Government through special programmes. Industry contributions are estimated to at least equal the amount of public investment.

We often refer to Australia as the lucky country, where natural resources abound and standards of living are relatively high. Compared to others, we have suffered little as a result of the global financial crisis. This lull in our economy gave a short respite to continuing shortages of skills in some critical areas. With both

the VET system and tertiary system under constant review and reform, Industry Skills Councils play an important role in ensuring an industry-led approach.

Improving productivity and society

The first forms of vocational education and training in Australia were the mechanics' institutes and schools of arts established in Hobart (Tasmania) in 1827.

Governments took a greater role in providing governance and funding for these institutions, and by around 1889 most of the structures and frameworks for future development of our VET system had been established.

From the 1970's and onwards, Australia's VET system was influenced by a stronger involvement of the Australian government and a more organised focus by industry. Politicians and industry groups, concerned with economic restructuring, improved productivity, improvement in workers welfare and rewards, and the adoption of new technology, became central participants in the evolution of a national training system.

During the 1970's there were reports calling for the need to restructure the workforce. The public Technical and Further Education (TAFE) system was maturing and developing into more than just 'technical colleges', with an increased focus on individuals and their contribution to the good of the community. There was also strong promotion of lifelong learning and the need to strike a balance between vocational education and general education as well as providing flexible delivery options.

Competing with Europe

The 'Australia Reconstructed' report of 1987 argued strongly that the competitive advantages enjoyed by many European businesses over Australian companies were because the respective VET systems were largely founded on the principles of industry-led competency based training.

In 1988, a series of changes were introduced to the industrial relations system to embrace restructuring of industry. Broad banding of occupational classifications, multi-skilling and more flexible working arrangements led to greater emphasis on skills acquisition and recognition. These changes provided an absolute link between skills used in employment and wages.

In 1989 the 'Improving Australia's Training System' report marked the coming of age of the national training reform agenda. Key issues were identified as being:

- New demands for training and skills development at all levels of the workforce
- The provision of a training market that increased choice and improved efficiency
- An increased emphasis on demonstrated competence
- Demands for more flexible and modular approaches to training
- Greater national consistency in training standards and certification arrangements
- Improved access to training for disadvantaged groups
- Better articulation between different forms and levels of education and training

These words from 1989 could be quoted as current goals today!

Early 90s reform prioritises industry

A National Training Board was established in 1990, with competency based training introduced during the early 1990's. The Australian National Training Authority (ANTA) was also established in 1992, with the objective of achieving a national agreement on a range of VET items, including the distribution of Commonwealth funding. With a board comprising of employers and industry representatives, ANTA flourished during the 1990's, effectively driving reform to establish a 'national, industry led' VET system.

In the mid 1990's, a major shift in training was provided through the introduction of national Industry Training Packages. These 'packages' are industry groupings of qualifications, comprised of units of competency, all determined and agreed by industry. This shift firmly positioned industry as the key informant to the expected outcomes of the VET system.

The role of training organisations was and continues to be the translation of these outcomes standards into appropriate curriculum and assessment strategies for learners.

Industry Skills Councils in Australia

Building on the Industry Advisory Committees and Councils of the 1960s and 1970s, ANTA in the first half of the 1990's declared a series of national Industry Training Advisory Bodies (ITABs) – supported by government funding. These national ITABs were typified as being bi-partite (employers and unions), with their main roles being to provide training and skills needs advice to governments and to encourage the take-up of training by industry. A further role was to develop the national industry qualifications.

A review in 2002 led to the conclusion that the then 25 national ITABs and 4 'recognised bodies' were reinforcing a 'siloed approach' to skills formation and failing to reflect the broader

economic groupings emerging in the marketplace. Compounded by issues of resourcing, it was agreed that the existing ITABs be replaced with larger organisations, with greater scope and strategic capabilities, backed up by improved funding. Negotiations between the major industry players were facilitated by ANTA during 2003-4, and the first of the national Industry Skills Councils (ISCs) were declared. There are now 11 ISCs reflective of the major industry groupings in the Australian economy. Our view is this streamlining has been a good move, enabling greater efficiency, more focused industry involvement, providing ISCs a greater prominence and ability to move into different areas of workforce development.

ISC funding structure

ISCs are not-for-profit organisations and are incorporated as public companies under the Corporations Act 2001. ISCs are owned by industry and are bi-partite (employers and unions) in their company ownership and through the membership of their boards, committees and activities. They do not include government representatives on their boards. Some ISCs provide sitting fees for board members whilst others are purely voluntary, but with all costs paid. Each ISC has developed its own business model in response to the specific needs of their industry.

NTA was abolished in 2005 and the Commonwealth Department of Education, Employment and Workplace Relations (DEEWR) now funds ISCs. This funding is triennial and the combined funding for the 11 ISCs for the three years from 2008 was originally set at AU\$52m although this has grown over time. Funding to each ISC varies and is determined through consideration of the size of each ISC's industry sector/s, numbers and distribution of enterprises, workforce size and the scope of occupations covered. The agreement covers the fundamental role of the ISCs to support skills and workforce development in their respective industries.

Core priorities include:

- Provision of industry intelligence and advice to Skills Australia, government and enterprises on workforce development and skills needs
- Actively supporting the development, implementation and continuous improvement of high quality training and workforce development products and services, including the national endorsed Training Packages
- Provision of independent skills and training advice to enterprises, including matching identified training needs with appropriate training solutions
- Working with enterprises, employment service providers, training providers and government to allocate training places

In undertaking these roles, ISCs are expected to draw on widespread industry networks and active stakeholder engagement. A key annual task is to produce an industry environmental scan through gathering and synthesis of industry intelligence. These succinct industry snapshots across the economy inform not just the ISC work plans but they are used and valued by other stakeholders such as Skills Australia, funding bodies and training organisations.

Engaging with industry

Industry stakeholders include employer associations and unions. ISCs develop the industry competency standards. These are a central part of ISC work and key stakeholder engagement is essential to ensure that employers and unions are satisfied with the work and provide their approval. These standards not only provide the backbone of training but are used by firms for workforce organisation and development.

There are many other stakeholders, including governments and their various departments, state/territory recognition and accrediting bodies, training organisations, occupational regulators/licensing bodies and local state/territory industry training advisory bodies. Their scope of industry coverage is not consistent with the national ISCs and there are no formal linkages or agreements between the local and national bodies. At times this complicated arrangement produces conflicts and duplication of effort.

It should be noted that ISCs in Australia do not provide formal training or assessment services. ISCs do provide workforce development advice, including training needs analyses and planning in some instances. However, the number of Australian enterprises far exceeds the current capability of ISCs to undertake comprehensive engagement.

As an example, Manufacturing Skills Australia has a staff of 17 people, servicing the needs of an industry covering approximately 250,000 enterprises and 1.1 million workers, distributed across the length and breadth of Australia. ISCs cannot provide services to companies individually and our operations are focused through strategies and activities that will deliver the best outcomes for the wider industry.

Creating Australia's future

In 2006 the ISC Forum was established as a collegial forum. The ISC Forum includes Chairs of ISC boards and CEOs. The ISC Forum does not act on behalf of all ISCs, thus allowing each ISC to speak for itself. However, an identity was established for the forum, with media livery and a by-line of 'Creating Australia's Future'.

The Forum plays a key role in bringing together the 11 ISCs to progress cross industry priorities and support the effective operation of Australia's national VET system.

Convening 4 or more times a year, the Forum discusses issues with wider implications for Australian industry and in so doing share intelligence, experience and knowledge across the 11 ISCs. Joint work is commissioned by the Forum and spans think pieces, major research items, policy comment, planning information and industry perspectives on a range of matters. Although acting independently, the Forum is a major contributor to national policy on VET.

Does success increase risk?

The current system of Industry Skills Councils in Australia has delivered significant improvements:

- Broader and more detailed industry engagement
- The provision of timely, high level industry intelligence to inform VET and other decision makers
- Significantly reduced competition across industry sector training advisory arrangements and rationalised approaches to skills
- More flexible ISC funding contracts
- Improved quality (fitness for purpose) of training qualifications and outcomes
- Longer term and more strategic planning for industry skills, workforce participation and development
- Greater prominence as 'go to' organisations for government and industry

These gains have come with a degree of increased risk for ISCs, with growing expectations they will solve entrenched economic and workforce problems and provide solutions to current and long term issues. The Australian government is increasingly looking to ISCs to assist in driving increased workforce participation, building the traditional economy at the same time as laying down the bedrock for the emerging green economy.

Although there is a national agreement on an industry led system, public funding is controlled by individual jurisdictions and administered quite differently, sometimes generating tension between policy makers and industry as recipients of the system's products and services.

A complex federal system

Governance of Australia's VET system is complex, compounded by our federated system.

The respective state/territory government funding arrangements for VET positions ISCs with high levels of power instead of positions them. Often, VET priorities in a jurisdiction may be shaped by particular needs that may not be consistent across the country. This in turn tests the mettle of ISCs in brokering nationally agreed arrangements as well as our work with national companies.

Changes sweeping through our system include a national approach to accreditation of all courses; reform in Training Package design; a review of the qualifications framework; and the challenge of defining industry sectors. The work of ISCs is changing as a result and our planning processes and advice will extend beyond the traditional VET boundaries.

An evolving model

Australia's Industry Skills Councils have evolved and matured over the last five or six years. Our fundamental roles are quite different to the old industry training advisory bodies we replaced. VET thinking is also evolving and changing. The previous focus on training has now developed into a more sophisticated approach to workforce development, where skills acquisition is but one component.

The prospects of new economies emerging are challenging old thinking. Moving to a low carbon economy is providing opportunities along with the challenges and Industry Skills Councils now play a key role in these considerations, and are firmly embedded in Australia's tertiary education and workforce development landscape.

List of Industry Skills Councils

Agri-Food Industry Skills Council: Agriculture, commercial fishing, food production/processing, horticulture, horse racing

Community Services & Health ISC: Health, community services (child and aged care, etc)

Construction & Property Services ISC: Building and construction, plumbing, property (asset) services incl. security

EE-Oz Training Standards: Energy/power generation and distribution, electrotechnology

ForestWorks: Forestry, forest products, paper manufacturing

Government Skills Australia: Public service, local government, defence, police and emergency services

Innovation & Business Skills Australia: Business services, finance, education, information and communications technology, printing, creative industries

Manufacturing Skills Australia: Automotive, engineering, aerospace, boating, furnishing, process manufacturing, textile clothing and footwear

Skills DMC: Drilling, mining, quarrying and other resources winning, civil construction

Services Skills Australia: Hospitality including commercial cookery, hair dressing, tourism, sport and recreation

Transport & Logistics ISC: Transport, warehousing, logistics, shipping, airline/flight operations



The Netherlands

Colo and Kennicentrum

Janneke Voltman

Senior Policy Advisor, Colo

Janneke Voltman has worked in policy for Colo since 2005, contributing to projects such as the development of the national qualifications structure. She holds a Master's degree in Educational Science and Technology from the University of Twente.

The Netherlands Key Statistics

Population

16, 418, 000¹

Population projected growth: % change from 2010 - 2020

The Netherlands' population is projected to grow by 1.9% between 2010 and 2020²

Productivity

The Netherlands is ranked 5th in productivity out of 30 OECD countries³

Public spending on education

12%⁴

Unemployment Rate

2010 - 4.2%⁵

Competitiveness

Ranked 10th (Score 5.32)⁶

Number of Sector Skills Organisations

17 Centres of Expertise

¹ OECD Factbook 2009: Economic, Environmental and Social Statistics

² OECD Factbook 2009: Economic, Environmental and Social Statistics

³ UKCES (2009), Ambition 2020: World Class Jobs and Skills for the UK.

⁴ OECD, Education at a Glance 2009.

⁵ Eurostat

⁶ WEF; Schwab, K. and Sala-i-Martin, X (eds.) Global Competitiveness Report 2009-2010.

The ambition to match vocational education with the demands of the labour market is not new. The involvement of Dutch industry in designing effective training dates back to medieval guilds that operated with Masters and Apprentices.

Nevertheless, the demand for a better relationship between education and industry is still widely recognised. Colo was established precisely to facilitate this cooperation between industry and education overseeing 17 sectoral Centres of Expertise that are regulated by the Ministry of Education.

A strong vocational tradition

Compared to other parts of the world, vocational education is popular in the Netherlands in both the school system and the labour market. Four out of ten people in employment have a diploma in vocational education. Secondary level vocational education is attended by more than 50,000 students with most students starting this at the age of 16. Part of the reason for this popularity is because our secondary VET system is relatively simple to understand comprising of four levels of which a diploma is the highest. Good pathways for progression include both majority school-based and majority work based options. It is easy for students on VET courses to access higher education and the current rate of students transferring from vocational to higher education is 50% of the level 4 vocational graduates. This pathway is therefore considered to be a safe route into both higher education and the labour market.

Strong industry involvement in both the conception and delivery of vocational education and training is also one of the fundamental reasons why the Netherlands model works well. We have 65 years of strong collaboration between educational institutes, key industry stakeholders and sectoral organisations, like the current Kenniscentrum, or Centre of Expertise, model on issues surrounding vocational education, training and the labour market.

Post war skills shortages

Due to pressure on government to take responsibility for vocational education, in 1919 the Law on Domestic Science and Technical Education was passed, enabling employers and trade unions in several sectors to establish 'educational organisations'. In 1945, the Labour Foundation was created as a national consultative body for trade union federations and employers' associations. It still exists today to cover relevant issues in the field of labour and industrial relations. In 1954 the decision was taken to establish Colo, a representative body which would help centralise dialogue between government, stakeholders and employers and unions. Colo started with 27 Centres of Expertise.

In 1996, the new Adult and Vocational Education Act gave the educational organisations new responsibilities including apprentices who needed work placements. The decision was also taken to reduce the number of organisations and in 2002 their name was changed to 'Centres of Expertise on Vocational Education and the Labour market' (also known as Knowledge Centres).

There are currently 17 Centres of Expertise each organised around one sector of industry. They are governed by a board of industry partners and education following a core remit, funded by government, to:

- Develop the qualifications structure for vocational education
- Recruit and accredit all training firms delivering vocational education
- Provide labour market research

Developing qualifications

Centres of Expertise develop the competency frameworks, which we call qualifications files, that qualifications are based on. A qualification file describes core tasks, work processes and competencies that a person has to know how to earn his diploma. Qualification files are obtained via full consultation with employers and educational institutes that are then supervised by a committee of industry and education stakeholders. All qualification files are available online. In addition to this, many Centres of Expertise organise sector-specific qualifications, usually paid for by collective sectoral funds.

Accrediting training providers

On average, every VET student spends 50% of their course on a work placement. This means a large number of employers need to be engaged in the secondary VET system and currently over two hundred thousand companies and institutions take part. It is the Centres of Expertise responsibility to ensure these companies are accredited and we currently have 900 consultants working with us to enable this, again funded by government. While companies are not legally obliged to take on VET students, fiscal incentives are provided: For every student-employee an employer annually can receive €2,500 as a fiscal incentive.

Centres of Expertise have developed collective standards to accredit employers and every accredited learning company can be reached on-line by the website www.stagemarkt.nl, which is updated every 24 hours. As increasing numbers of students opt to complete their compulsory work placement abroad, for instance in international trade (Kenniscentrum Handel), in tourism and leisure (Kenwerk) or in ICT and administration (ECABO), so Centres of Expertise also provide international accreditation. Of the 209,000 accredited training providers, over 3000 are abroad (mostly in Germany and Belgium).

Labour market research

Centres of Expertise also perform labour market research based on 3 elements: sectoral replacement needs in the next 4 years, numbers of actual VET-students and the amount of practice placements available and needed. Colo collects the research outcomes and publishes them on a website and 4 times a year in a Colo Barometer.

Compared to the UK skills system, we enjoy a relatively straightforward and simplified structural model. Our employers have a strong say over the national qualifications structure and as such they can use this to support their own human resource development. The same can be said for the use of Centre of Expertise labour market information. The Dutch public employment service and several employment agencies, use exactly the same structure, including the standardised competency model, to match personal profiles with available jobs. Which means that all the different components of the system are working with the same resources, rather than constantly inventing new structures. We also enjoy strong levels of employer engagement and employers use our model because it works so we do not experience the lack of take up expressed by other countries.

An additional advantage is the hybrid (public-private) funding of many Centres of Expertise. The close engagement of industry in vocational education, for instance in the automotive sector (Innovam) and in process industry (Kenniscentrum PMLF), means that bespoke initiatives can be developed. For example, using solely private funding from industry, Innovam has developed an Automotive College – essentially a training academy where students get hands on experience repairing cars under professional tuition.

A changing labour market

There are some key challenges facing our current system going back to the essential divide between education and industry. For employers, education will never be the top priority. Likewise the demands of companies do not always direct government policy or the performance of schools and colleges.

Some of the existing tensions include education providers are sometimes confused by different regional and national strategies that Centres of Expertise have to adhere to. Also, employers sometimes sees Centres of Expertise as a simple extension of education. Greater transparency would do much to improve this relationship.

In these times of economic crisis and growing unemployment (at the moment, youth unemployment in our country is up to 14%), we are finding that companies need further support to facilitate more placements. In June 2009, the Dutch government presented the action plan Youth Unemployment. The Centres of Expertise have contributed to the plan's ambitions by working across sectors to demonstrate where gaps in one sector can be met by potential surpluses in another.

Centres of Expertise try to follow the principle of adapting to a changing labour market. Traditional professions are disappearing and new jobs and industries are requiring us to focus our attention on understanding these potential new growth industries. To prepare people for today's and tomorrow's labour market, companies and schools cannot work without each other. Centres of Expertise enable effective dialogue between employers and education as well the development of sectoral standards.

Colo – Centres of Expertise

Aequor: Agricultural sectors

Calibris: Health Care, social care and sport

ECABO: Economic/administrative, ICT and security professions

Fundeon: Construction industry & infrastructure

GOC: Graphic & media sector

Innovam: Automotive sector

Kenniscentrum Handel: Retail, wholesales and international trade sectors

Kentecq: Technology sectors

Kenwerk: Hospitality, bakery, tourism, recreation and facility services

KOC Nederland: Hair care, foot care and beauty care

Kenniscentrum PMLF: Process technology, environmental technology, laboratory technology and photonics

Savantis: Painting and maintenance, plastering and finishing, and presentation and communication

SH&M: Furniture and joinery industry, wood trade, wood processing industry, and related industries

SVGB: Health technology and creative craftsmanship

SVO: Fresh food retail and industry

VOC: Vehicle building and body repair industry

VTL: Transport and logistics



Pakistan

National Vocational & Technical Education Commission

Mohammad Riaz

Director General, National Vocational & Technical
Education Commission

Mohammed Riaz has worked for the Pakistani government in a number of high profile roles, including four years as a commercial and economic advisor to the Pakistani embassy in Paris. He holds a Masters degree in Economics from the University of Peshwar.

Pakistan Key Statistics

Population
162 370 000¹

Population projected growth: % change from 2010 - 2020
Pakistan's population is projected to grow by 22.4% between 2010 and 2020²

Public spending on education
11.2³

Unemployment Rate
2009 - 15.2%⁴

Competitiveness
Ranked 101st (Score 3.58)⁵

Number of Sector Skills Organisations
5 Industry Advisory groups currently established

¹ UN (2009), UN Population and Vital statistics report July 2009, Series A, Vol LXI, No.2. This source is not comparable to OECD data used for other countries.

² UN, World Population Prospects : The 2008 Revision Population Database., This source is not comparable to OECD data used for other countries.

³ UNESCO Institute For Statistics, UIS Statistics in Brief: Pakistan. This source is not comparable to OECD data used for other countries.

⁴ Central Intelligence Agency (CIA), The World Factbook. This source is not comparable to OECD data used for other countries.

⁵ WEF; Schwab, K. and Sala-i-Martin, X (eds.) Global Competitiveness Report 2009-2010.

The Pakistani government believes that investing in human resources is a prerequisite to sustainable growth and global competitiveness. We now operate in an era of global industrial regulation, as such new responses are needed to tackle new economic challenges.

Here in Pakistan our skills system needs to prioritise the relationship between the labour market and Technical and Vocational Training (TVET) institutions. Skills required in the workplace do not currently match the requirements of the industry. We find that our industrial sectors are unbalanced. They are characterised by skills shortages, low productivity and underinvestment in technology. The result of this is that Pakistan is not doing as well as other developing economies who are making better progress. One particular challenge is dealing with the large youth population (100 million young people in the age bracket 15 - 25). A large proportion of this age group is unskilled with slim chances of finding employment either locally or internationally. The Pakistani government is striving hard to address this.

A new skills strategy for Pakistan

In August 2007 Pakistan launched Vision 2030, a development plan replacing previous Five Year Economic Plans that tackled economic development. As part of this the National Vocational and Technical Education Commission (NAVTEC) was set up in 2006 with the aim of revamping the vocational education and training system in Pakistan.

After extensive consultation with industry and stakeholders, NAVTEC has developed a national skills strategy for Pakistan. One of the biggest issues to emerge during this process is that a fundamental 'lack of relevance of training in the job market' exists and this is because of the minimal role industry has to play in the design and delivery of training.

Looking internationally, different countries have varying approaches to engaging industry in skills and training. The industrialised world has formed stronger industry/training relationships by creating bodies that are autonomously independent. While we can learn from all these different approaches, clearly each system is unique to individual circumstances: pre-existing institutional arrangements and political systems.

How has Pakistan tackled vocational training in the past?

To date the responsibility of vocational training has fallen on the government. Private sector participation has been minimal, usually on a highly selective basis such as membership of autonomous bodies, namely: Technical and Vocational Training Authorities, Boards of Technical Education, Institute Management Committees, Centre Management Committees and Skill Development Councils. Industry has traditionally been resistant to opening doors and facilitating on-the-job training without government assistance.

Institute Management Committees (IMCs) were established with the assistance of the Asian Development Bank. Their goal was to identify industry requirements for vocational education, provide advice on courses and to ensure that educational courses have greater responsiveness to the needs of industry and employers.

The main concern that arose with IMCs was that they were not very active and most of the functions they were charged with were not implemented.

Skills Development Councils (SDCs) were therefore created in 1999 to address this. They were conceived of as autonomous bodies who receive assistance from the World Bank, the International Labour Organisation (ILO), the Employers' Federation of Pakistan, the National Training Bureau, and the Ministry of Labour and Manpower. Their main objective was

to provide flexible and cost-effective training, linking employers and training providers in order to:

- Assess training needs across different geographical areas in Pakistan
- Validate and determine training standards and course curricula
- Implement programmes that promote vocational training, apprenticeships, and relevant training supporting the needs of industry

Several issues hindered the progress of SDCs including the lack of financial resources and proper guidelines.

Industry Advisory Groups (IAGs)

As the gap between skills needs and skills provision was widening and Pakistan was lagging behind in the global skills race, the National Vocational and Technical Education Commission conducted consultations with stakeholders on how to improve sectoral models. The establishment of Industry Advisory Groups (IAGs) was deemed the solution and IAGs have been charged with bridging the gap between employers and education providers.

Part of the IAGs remit is to focus on key sectors of Pakistan's economy. Based on national priorities and economic potential, five sectors were assessed and considered by NAVTEC to be relevant for pilot IAGs.

1. IAG for Textiles

The textile sector accounts for more than 67% of Pakistan's export earnings, 46% of its manufacturing and 40% of its manufacturing employment.⁶ It is considered as a key industry for export earnings and employment opportunities for small and medium size

⁶ State Bank of Pakistan, 2008

enterprises as well as large enterprises involved in textiles production for fashion chains. The IAG established by NAVTEC is focusing on various segments of this sector, focusing on developing key occupational standards. Approved by industry these standards will inform qualifications development and course curricula. They will be piloted in several institutes before being rolled out nationally. Approved by industry these standards are now awaiting validation by NAVTEC.

2. IAG for Construction

The housing and construction sector has been a booming sector of the economy. Its growth is critical and an IAG has been created to oversee development and boost employment. Globally, the construction and housing industry accounts for 10 – 12% of GDP and 7% of employment.⁷ As such, NAVTEC feels the construction industry has the greatest potential to generate employment in Pakistan.

3. IAG for Tourism and Hospitality

The government of Pakistan has developed some key initiatives to encourage tourism and hospitality sector growth. NAVTEC wants to capitalise upon these incentives offered by the government and has therefore established IAG for this sector in order to improve private sector collaboration. Presently the establishment of tourism projects is split between a funding model of 80% private, 20% government funding.

The Pakistani government is keen to promote the fact that the Northern Areas of Pakistan are now safe to visit. Tourism suffered greatly in these territories post the Taliban occupation of the Swat region in 2008 which ended in May 2009. The outstanding natural beauty of these regions mean the government is focusing on their tourism development.

⁷ Services of Pakistan, Engineer Muhammad Mazhar-ul-Islam, 2009

4. IAG for Surgical Instruments

Pakistan has a history spanning over a century of skilled craftsmanship in manufacturing surgical instruments. More than 95% of the surgical instruments manufacturers based in Pakistan now export to over 140 countries. The surgical instruments sector, considered a sub-sector of light engineering, contributes to about 70% of Pakistan's total exports producing in 2005/6, US\$ 160.07 million. An IAG for this sector has been recently established.

5. IAG for Agriculture, Dairy & Livestock

Agriculture, Dairy & Livestock sector definitely does not rate as highly as surgical instruments in terms of export trade! However the sector is important because it is a big employer of people and provides a vast number of services. It is an important source of food for thousands of households. It contributes 11.4 % to Pakistan's GDP. This sector has been recently added to the pool of NAVTEC's Industry Advisory Groups cohort and currently suitable candidates are being considered to lead the IAG.

How do IAGs work?

Each IAG comprises of two groups; an overarching Management Group and a Working Group. The Management Group consists of broad-based representation from the private sector, such as Chambers of Commerce, Employers' Federation and Trade Association, and the government, such as Federal Ministries, Provincial government departments and NAVTEC. The Management Group oversees the working group and meet periodically to set policy direction and review progress.

The Working Group consists of practitioners from industry – people who are aware of the specific requirements of the workplace. Their main responsibility is to determine competency based standards based on current industry demand.

IAGs meet periodically and provide information to NAVTEC:

- Existing skills shortages
- Emerging skills demands
- Competencies required in the workplace
- Public-Private partnership possibilities in training

Funding

IAGs are currently funded by NAVTEC and will seek additional funding from International Trade Organisations. They are considered as not-for-profit organisations and they are also permitted and encouraged to raise their own revenue through donations or by providing consultancy services.

Progress to date

The selection of priority sectors and establishment of IAGs is a new initiative for Pakistan. The IAGs that have been established cover a large section of the economy and are significant in employment terms. We envisage that more IAGs will be established in a phased manner over period of next five years until all major industry sectors are represented. Since this is a completely new venture for Pakistan, this current phase is being envisaged as a pilot, during which the main requirement is for IAGs to develop competency standards for their sector.

Why international collaboration can help

It is felt that that IAGs have the potential to change the fate of Pakistan. International collaboration can help stimulate debate on how best to achieve effective skills development. The stronger industry are involved in this debate, the easier it will be to target our human resources to meet key sectoral needs. More importantly industry needs to be involved in evolving a responsive policy framework that suits Pakistan. We are a country where decent employment for our whole population is still a far off dream. We are aiming to make this dream a reality by pursuing a sectoral approach to skills development. We believe that international collaboration will be pivotal to realising this ambition.

Number of Sector Skills Organisations

5 Industry Advisory Groups currently established.

IAG for Textiles

IAG for Construction

IAG for Tourism & Hospitality

IAG for Surgical Instruments

IAG for Agriculture, Dairy & Livestock

South Africa

Sector Education and Training Authorities

Dr Salim Akoojee

Research and Development Manager: Manufacturing, Engineering and Related Services Sector Education and Training Authority

Dr Salim Akoojee holds a PhD from the University of Witwatersrand. He is currently Research and Development Manager at merSETA. Previous experience includes conducting research into national skills development at the Human Sciences Research Council in the Human Resources and Education, Sciences and Skills Development research programmes. He has contributed to a number of international research and development projects including work with UNESCO.

South Africa Key Statistics

Population
49,062,000¹

Population projected growth: % change from 2010 – 2020
South Africa's population is projected to grow by 4.1% between 2010 and 2020²

Public spending on education
17.4%³

Unemployment Rate
2009 – 24% (Current estimate)⁴

Competitiveness
Ranked 45th (Score 4.34)⁵

Number of Sector Skills Organisations
23 Sector Education and Training Authorities

¹ OECD, Factbook 2009: Economic, Environmental and Social Statistics.

² OECD, Factbook 2009: Economic, Environmental and Social Statistics.

³ UNESCO Institute For Statistics, UIS Statistics in Brief: South Africa. This source is not comparable to OECD data used for other countries.

⁴ Central Intelligence Agency (CIA), The World Factbook. This source is not comparable to OECD data used for other countries.

⁵ WEF; Schwab, K. and Sala-i-Martin, X (eds.) Global Competitiveness Report 2009-2010.

Sector Education and Training Authorities (SETAs) have been intrinsically linked to the development of skills initiatives in the South African post-Apartheid state. Since 1994, the trajectory of this development has aimed to create a post-Apartheid labour market that is responsive to the needs of the country as well as its industry. This is not an easy task. The structure within which this has to be achieved is complicated as a range of stakeholders must be catered for, all needing very different and diverse outcomes from the skills development system.

The plethora of legislation since 1994 testifies to the importance of skills to national development priorities. Clearly, one of the key themes of the post-Apartheid skills development system is to address the glaring gap between a shortage of skills on the one hand and the large numbers of those South African unemployed as a result of the lack of skills. This sometimes means that skills often have to be imported to respond to immediate labour market priorities.

The role of South Africa's Sector Education and Training Authorities in the quest for the country to respond to national development challenges is complex. While they have been considered a critical means to achieve synergy around the challenge of skills development, they are still young and developing.

The impact of Apartheid on skills

The Apartheid States' policy was designed to maximize the highly profitable extraction of deep-level gold. The aim, to ensure a cheap labour supply and keep costs down, resulted in an entrenched lack of training and development for the mainly black mining workforce. This policy, created purely to serve the interests of 1930s manufacturing evolved into 'pure apartheid' after the Second World War with dire consequences for South Africa's economic development. It culminated in critical skill shortages

and limited South African competitive advantage in the post-war boom, resulting in the 'cheap labour' model of growth that faltered in the seventies.

The history of skills development in South Africa is thus closely related to the South African political economy. In South Africa, it is clear that the historical legacy has resulted in a range of structural problems and a poor performance on poverty, inequality and unemployment that belies the country's wealth and level of development. Skills development has become intricately linked to the national development challenges of poverty alleviation, unemployment (estimated at between 24% and 35% in March 2009) and a reduction in inequality. The twin challenges of poverty and inequality are closely linked to initiatives to respond to the skills deficits facing the country.

Crippling challenges

By 1994, the South African skills development system was seriously dysfunctional. Three major problems inherited by the new State also summarised the key challenges facing the country.

- First, the racialisation and gendered nature of the skills development system resulted in blacks, especially females, either being denied access to or exposure to opportunities for development of their skills
- Second, the privatisation of key state institutions and the abandoning by the State of responsibility for intermediate skills development was exacerbated by the possibility for tripartitism almost non-existent in one of the most conflictual industrial relations systems in the world
- Third, South Africa's apartheid-driven industrial development path had led to an intense polarisation of skills with a serious underdevelopment of the intermediate skill segment essential to successful industrialisation and economic competitiveness

The negative effects of such discriminatory policy are still clearly evident today, despite comprehensive structural reforms in the last 15 years. Poverty, inequality and rampant unemployment blight South Africa and a large number of youth are not in education, employment or training.

South Africa Sector Education and Training Authorities (SETAs)

Sector Education and Training Authorities (SETAs) have been considered a key feature of the skills development landscape since 1998 and are based upon a number of legislative interventions, including the Skills Development Act (SDA) of 1998, the Skills Development Levies Act of 1999 and subsequent regulations.

SETAs, established under the Skills Development Act (1998) were designed to respond to workplace learning. Placed under the Department of Labour, the new institutional and financial infrastructure to regulate workplace training was to be augmented by a National Skills Authority (NSA), there to respond to larger national skills development considerations that existed outside of the responsibility of the sector-based SETAs.

27 SETAs were established under key economic sectors in 2001, each funded by means of a skills development levy from companies within a particular economic sector.⁶ All companies with a payroll commitment in excess of ZAR 500,000,00 (US \$65 – 75,000) were required to pay a 1% skills development levy to the national fiscus. The levy is collected as taxes by the Revenue Service (SARS) which allocates 80% to SETAs, with 70% of this being made available to employers by way of grant payments and the remaining 10% to be used for SETA administration. Most of these funds are channelled back to the participating companies on the basis of training conducted. The remaining 20% goes into the National Skills Fund to meet national skills needs.

National Skills Development Strategies

The SETA agenda has been organised under five-year National Skills Development Strategies (NSDS). These provide the basis for using skills to address the national development challenges as evidenced by the vision statement:

‘The overall vision of the NSDS is ‘Skills for Productive Citizenship for All’ (...) addressing the structural problems of the labour market inherited from the past, and transforming the South African labour market from one with a low skills base to one characterised by rising skills and a commitment to lifelong learning. The NSDS also seeks to ensure that through responsive education and training the labour market is better able to support social development to reverse the challenges inherited from the past, such as poverty, inequality, disease and unemployment. The NSDS is an inclusive strategy that addresses national, provincial, sectoral and individual needs.’

(DoL, 2003: 9)

The first NSDS was launched in 2001 ending in March 2005. The second one commenced in April 2005, due to end in March 2010 but extended for another year pending a review by the new Ministry. Essentially these NSDS’s determine the national skills development priorities to which the skills development levy is to respond. The NSDS, negotiated between the social partners⁸ represented in the National Skills Authority (NSA), are expressed in the form of a limited number of objectives, each associated with measurable success indicators (both output and impact).

The first NSDS identified the need for targeted interventions to both employed and unemployed learner groups, together with skills development interventions. The second NSDS then

⁶ There were initially 27 SETAs established, which after a review process were reduced to the current 23.

⁸ These include employers, trade unions, civil society (youth, women, people with disabilities, rural and urban community groups), government and education and training providers.

introduced two new priority areas that the skills levy income would also fund.

- 1) Prioritising and communicating critical skills needs for career guidance as well as sectoral growth targeting.
- 2) Improving the quality and relevance of provision.

Two agendas, one goal

As the system developed, it was clear that there were some clear problems with the whole 'skills development' regime. McGrath and Badroodien (2005) show that the legislation in effect resulted in two 'skills development' policy agendas in South Africa – one under the Minister of Education and the other under the Minister of Labour – with Education having responsibility for the public provider institutions – the schools, colleges and universities – and Labour having responsibility for learning in and for the labour market with provision extensively drawn from private providers. They pointed out that the 'disarticulation' between the two was a real danger to a co-ordinated skills development agenda.

The latest political developments have nevertheless attempted some quite radical initiatives to address this disarticulation. The developments associated with the fourth democratic South African election on 22nd April 2009, 'heralded the single greatest political shift since the advent of democracy in 1994' (Bird and Heitmann 2009). The 'internal 'revolution' as a result of the replacement of President Thabo Mbeki with Jacob Zuma, has created the context for a significant redefinition of the skills development agenda, although this comes at a time when the effects of the recession, although receding, are still being harshly felt.

The revolution meant a review of initial objectives of the ANC regarding its commitment to education derived from its inspiration from the Freedom Charter, which prescribes the aim for 'Education (to be) free, compulsory, universal and equal for

all children (and that) higher education and technical training shall be opened to all by means of state allowances and scholarships awarded on the basis of merit'. This commitment was articulated prior to the April 2009 election which asserted the need for increasing the graduate output in areas of skills shortages. This will include measures to streamline SETAs and other institutions to addressing existing and forecast skills shortages.

From theory to practice

In practice, this has translated into the creation of a Department of Higher Education and Training (DHET), which now covers all post-school education and training institutions and the inclusion of Sector Education and Training Authorities within this Ministry. The rationale for this development was the need to create a more coherent post-school education and training system that would easily synergise the supply and demand-side ambitions. The inclusion of Universities, Further Education Colleges (former technical colleges) and sector councils into a single Ministry provides the basis for a more coherent skills supply and demand-led system. SETAs have become intrinsically linked to the national skills development system. The Ministry reiterated the importance of SETAs to the national landscape by pointing out that they are necessary to 'fulfil their role as a central cog of our skills training and job creation machinery' (New Zealandimande 2009).

SETA impact

As a relatively new structure, the successes are considerable.

- The most important achievement of the SETA system is the awareness of skills development as an issue that needs to be engaged by multiple stakeholders.
- SETAs represent a post-Apartheid response to the issues of skills development that takes account of demand-led imperatives. While they have served the interest of being

everything to everyone, they have invariably become victims of too wide a remit. While this has created challenges related to societal expectation, particularly around transforming workplaces, they have made skills development an intrinsic component of any national development discourse and placed it squarely on the agenda in South Africa.

- SETAs have been considered the key voice of skills by those responsible for skills development.
- The combined achievements of SETAs are significant. The Minister of Labour, in his 2005 budget speech, noted the following achievements, among others, since the launch of South Africa's NSDS in 2001 (DoL 2001):
 - » 5,562,174 workers have participated in structured learning programmes
 - » 37% of new and existing registered small businesses were supported and benefited from skills development initiatives under SETA discretionary grants and the NSF, against a target of 20%
 - » 74% of the total NSF (National Skills Funds) strategic Projects R1-billion allocation over three-and-a-half-years was already spent by the end of December 2004 and benefited 44,838 ABET learners; 35,943 unemployed people who completed structured learning programmes and a further 9,332 who participated in the various learnership programmes.

Lots more to be done

There are a range of challenges facing the national skills development system. The Minister, in his inaugural address to Parliament, pointed out the unevenness in performance of various SETAs, and the need 'to ensure greater accountability, improved employment of resources, better management of funds and streamlining and alignment of their operation' (New Zealandimande 2009).

The complex national development challenges that SETAs were required to respond to means that it was inevitable that some areas were not addressed.

The issue of the optimum number of SETAs has become considerably important in the run-up to the new skills development landscape. The move from the Department of Labour to the Department of Higher Education and Training and the consequent extension of the current SETA arrangements for another year, rather than the customary five, means that there is likely to be some degree of rationalisation or re-structuring of the current landscape. The results of this rationalisation process will be a starting point to engage the new challenges that emerge.

There is a perception that because some SETAs are not as effective as they need to be, that the system has to some extent been discredited. The reorganisation and rationalisation of the system will to some extent allay fears of this being repeated. In addition, the nature of the SETA system is that it has to be responsive to all of its constituencies. While the current governance arrangement requires the inclusion of key industry stakeholders including non-voting representatives from relevant government departments, in most cases the government has no representation on SETA structures. The absence of government representation means that the interpretation of the NSDS's is left entirely to industry and trade unions to manage. Perhaps a more concerted government representation might well ensure that the interpretation of the NSDS targets are more consistently understood and implemented.

The new Minister in his inaugural address identified key challenges that needed to be addressed and were likely to be the focus going forward:

- Improved coordination between the SETA system and education and training institutions
- Negative perceptions of SETAs performance, management and governance
- The need to improve strategic utilisation of funds
- Inadequate alignment of industry needs needs and provision of training and skills development and in particular the need to increase the supply of artisans and technicians.
- Finalisation of industrial policy action plans to improve the effectiveness of skills development efforts

(New Zealandimande, 2009, emphasis inserted)

These provide an important basis for the review of the new SETA system in South Africa.

Future phases of skills development

There are a range of complexities in the South African case that need to be taken into account in understanding the trajectory of skills development policy and practice. The initial debates about whether we need to have a skills levy have long passed and we are now entering a phase of development that provides greater opportunity for articulation between skills supply and demand. The sectoral role of SETAs in providing the basis for skills needs in particular economic areas has been secured. The system is still, nevertheless, unfolding and although far from perfect is becoming increasing legitimate as a means by which South Africa's national development challenges are to be responded to.

List of Sector Education and Training Authorities

AgriSETA: Agricultural SETA

BANKSETA: Banking SETA

CETA: Construction Education and Training Authority

CTFLSETA: Clothing, Textile, Footwear and Leather SETA

CHIETA: Chemical Industries SETA

ESETA: Energy SETA

ETDP: Education Training and Development Practices SETA

FASSET: Financial and Accounting Services

FIETA: Forest Industry SETA

FOODBEV: Food and Beverage Manufacturing Industry SETA

HWSETA: Health and Welfare SETA

INSETA: Insurance SETA

ISSET: Information Systems, Electronics and Telecommunications Technologies

LGSETA: Local Government SETA

MAPPP: Media, Advertising, Publishing, Printing and Packaging SETA

MERSETA: Manufacturing, Engineering and Related Services

MQA SETA: for Mining and Minerals Sector

PSETA: Public Service Sector SETA

SAS SETA: (Safety and Security SETA)

Services SETA

TETA: Transport SETA

THETA: Tourism and Hospitality SETA

W&RSETA: Wholesale and Retail SETA

The International Network of Sector Skills Organisations exists to share international best practice through a sectoral approach.

'Globalisation is placing new demands on education and training systems worldwide. The sector-based approach is uniquely bridging that gap, helping industry partners and educators, ultimately access more employable people who are better skilled.'

Tom Bewick, Chair of INSSO

The objectives of the network are to:

- Share international best practice and information on sector-based approaches to skills training
- Enable and facilitate the development of transnational standards and learn from specific sector-based solutions (e.g. employability skills)
- Facilitate international links between sector skills organisations, potentially including formal exchange programmes of technical expertise and staff
- Carry out research and analysis to support these activities

Find out more about becoming a member by visiting www.inssso.org

Education and training systems across the world are coming under increasing pressure. Industrial sectors are becoming 'knowledge intensive' as global forces increasingly shape international trade patterns and supply chains. We are now entering the era of the 'global skills race'.

The policy response in a number of countries has been to form stronger industry/education partnerships. Sector-based organisations – usually independent of government – have been established by employers, trade unions and education institutes to tackle skills gaps, build occupational competences and research labour market needs. In these countries, sector-led organisations are at the forefront of bridging the gap between formal education and industry practice – the supply and demand for skills – as well as driving workplace productivity improvements.

Think Global, Act Sectoral explores the underpinning themes that drive successful sector-based systems. The international contributors are all leaders of their field, writing about the unique aspects of their country's sectoral approach.