



A discussion on the future of Education & Skills in Southern Adelaide



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Kostas Mavromaras

p: +61 8 8201 3482
e: k.mavromaras@flinders.edu.au
www.nils.flinders.edu.au



**National Institute of Labour Studies
Flinders University, Adelaide, Australia**

Introduction and Background

The Report document provided to the Southern Adelaide Economic Development Board (SAEDB) sets out the detailed scene regarding human capital in South Australia and Southern Adelaide. Here I attempt an initial look at the crystal ball of the future and the potential role of education policy in shaping it.

Making policy decisions about an uncertain future will always be an imperfect and difficult business. The art of making good policy decisions is to look at the desirable and choose the feasible (Aristotle, few centuries ago). The material gathered in the Report provides a lot of information that I use, but this information will mostly stay in the background and this Discussion Paper will focus on the core question of how much up-skilling we need to aim for in Southern Adelaide and how we can start thinking about the best way to achieve it.

We can break this question down into the following parts:

- *Southern Adelaide today*
- *Gaps in our knowledge*
- *Aspirations and benchmarking*
- *Targets and feasibility*

Summing up where Southern Adelaide is now

In terms of the utilisation of human capital, Southern Adelaide has a lot of unrealised potential. This is another way to say that it is performing below capacity and that performance can be improved. Structural change caused by de-industrialisation, which I think is largely in line with comparable parts of Australia, has played its role. However, there also seems to have been a historic under-investment in education. This is manifested in a proportion of all types of post-school education completion that is lower than the national figure, although the proportion is increasing in line with the national rate. Migration brings in some human capital every year, with the regional migration status helping out in this regard. Commuting is very prevalent, and Southern Adelaide seems to be 'exporting' labour

to the northern half of Adelaide. Congestion is building up, but is still nowhere near where it is currently in other major Australian cities. Southern Adelaide shares with the rest of South Australia a flexible and vibrant university sector which produces more graduates than can find a job within South Australia.

Southern Adelaide is very diverse, but this is masked when we examine average statistics. Diversity presents both challenges (some locations show a very low rate of university education) and opportunities (some locations show a strong shift in the younger generation from not completing to completing school, which makes developing additional post-school education a lot more feasible).

I believe that using direct international comparisons with other LGAs for benchmarking purposes in the present context would not be productive. First, because in general such comparisons leave a lot of what matters unexplained and can be of limited value, or even misleading. Second, because Australia is currently occupying a unique position in the post-GFC world, which calls for assuming a leadership position, forming independent views and relying more on the relevant economic principles and political and social objectives, rather than benchmarking against the targets and performance of other countries.

In my view, it is clear that, whatever the future economic development plans may be, improving the education and skills structure in Southern Adelaide will be one of the most important objectives. The question will not be *whether* we up-skill, but *how much* we up-skill.

Summing up some obvious gaps in knowledge

Further information and assumptions have to be made for more precise decisions. These decisions will depend on many factors including:

Present information on future demand for labour.

- Particularly major works and investments. More information is needed.
- Some understanding of the occupational composition that will be needed by major projects.

- Capacity of major works to generate their own up-skilling

How we expect investment to work

Economists think of two competing models

- In the first, the presence of a highly skilled workforce has little or no effect on the decision of physical capital/investment to locate in Southern Adelaide (the neo-classical exogenous growth model)
- In the second, a highly skilled workforce attracts investment and generates growth in itself (the endogenous growth model).

Which one of the two views on investment do we believe would apply to Southern Adelaide and by extension to South Australia? My view is that the latter has a better chance, but with some qualifications about the education and skills that may be necessary for it to happen.

The level of co-operation that can be realistically assumed/expected by core stakeholders

- State and local government
- Business
- Education providers

These questions will have to be answered, albeit in an imperfect and preliminary way, in order to begin fleshing out education development plans.

Aspirations and benchmarking

Universities

A useful benchmark for thinking ahead is the *Bradley Review* (December 2008), which aims at 40 percent of all 25-34 year olds having a bachelor degree or above by 2020. Although the long -term outcome of this target will be that 40 percent of all Australians will have a Bachelor degree, the adjustment depends on the starting point: the lower this is, the faster the adjustment has to be. Southern Adelaide (especially some parts of it) starts from a very

low point and will have to cover a lot of ground. The dotted line below follows the *Bradley Review* target. Note that the percentages in the vertical axis refer to the complete age spectrum, not just the 25-34 age cohort. For the target to be met, the number of 25-34 year olds who have been to University will have to approximately double between 2010 and 2020.

Figure 1: Meeting the Bradley targets

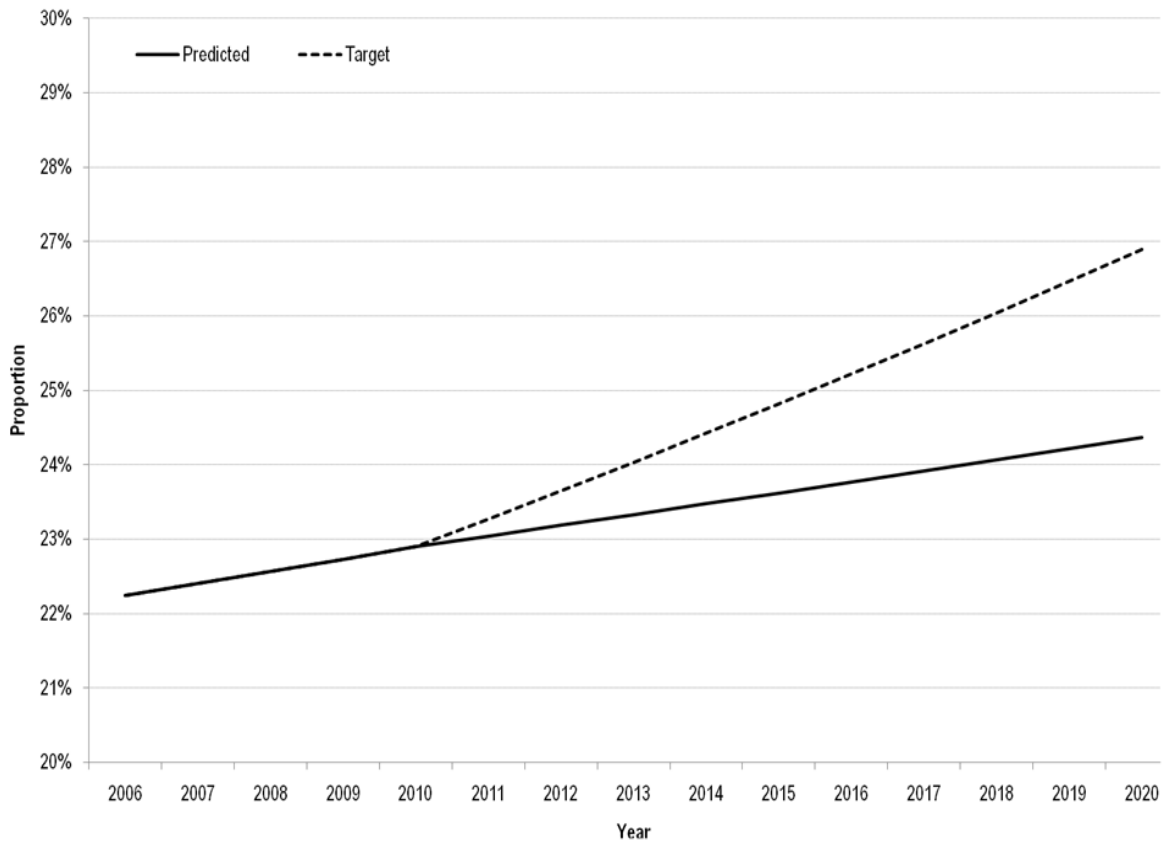


Figure 1 shows that even if we manage to implement successfully the *Bradley Review* targets we would only reach a 27% proportion of the prime age population with a university degree. A higher proportion could be achieved through mature age education, but this often concerns more re-training and re-educating people who have had some education and training that has become obsolete and not new training. Achieving the *Bradley Review* targets will still leave us behind many of our national and international comparators, which suggests that the *Bradley Review* targets may be too conservative, especially given the international competition. The role of the Universities in this context is clear and the task, given current funding levels, will be extremely challenging.

Vocational Education and Training

Although the *Bradley Review* makes clear the interdependence between university and vocational education, it does not propose a benchmark for the level of Vocational Education and Training (VET) that would be a desirable complement to that of the university-level 40 percent. I think that this is right as there will not be a one-size-fits-all answer in a sector as complex as VET. There are at present plans and thinking under way to reform the Australian VET system and it is encouraging to see that education and skills issues have started to occupy the current national policy agenda, but there is no discernibly co-ordinated national effort in doing this. Skills Australia is undertaking consultations to investigate the future direction of VET in Australia, but its reporting will not be produced for at least another 12 months. Given the enormous diversity of VET, it is debatable whether a national percentage target for VET provision/achievement similar to the *Bradley Review* target for university education would make practical sense.

Targets and Feasibility

Targets must be set in consultation with the main stakeholders and, given the inter-dependences involved, they will have to be worked out in a progressive way. Some principles to think about are:

Change must be balanced (the whole spectrum of skills and education must be developed, not just one type: education and skills do not work on their own)

Change must be market led (All major stakeholders must be well informed and be allowed to vote with their feet; Information, quality, flexibility and clarity must be at the heart of the policy; Education qualifications must be judged by their market success, not by the inputs they need)

Change must be market leading (Physical capital will have to feel invited to invest in Southern Adelaide and South Australia by extension: the endogenous growth idea; Quality of education must be preserved for the market system to work; new sources of human capital will have to be explored)

Set a core target for minimum education level across the whole of Southern Adelaide

Core targets proposed

Target 1: I suggest that we retain the Bradley target for University education. It is sensible and potentially feasible.

Target 2: I suggest that an additional target be assumed by Southern Adelaide, namely the percentage reduction of the 25-34 year olds without any post-school education (Mavromaras 2009: 'A skilled workforce for the future', Insights: Melbourne Economics and Commerce). Simply put, I propose that policy focuses on getting younger people better equipped to progress into post-school education as the most cost effective target. This target makes sense for a number of reasons:

- Earlier intervention has been shown to work better and to be cost-effective¹
- Making specific predictions about the future split between VET and university provision and content is an exercise that can go wrong
- The current shift towards more demand-led post-school education provision means that the market mechanism will be more appropriate at the post-school level

With Year 12 graduates better equipped to continue into post-school education, we can aim at improving access and letting those with Year 12 education work out what type of University or VET course is the one that suits best each individual prospective student.

Workforce planning would be an alternative, but it has been a notoriously unsuccessful method for making accurate predictions of the detailed nature involved here. For a type of allocation which is as complex as matching thousands of students to hundreds of university courses and hundreds of VET courses and, not to forget all the apprenticeships and traineeships, trying to out-guess the market is extremely hard and can lead to undesirable outcomes. In my view the best available option is to improve access and information and to strengthen the way the market is controlled (better information, better quality control and better infrastructure support) and then let students decide what they consider to be best for their future.

¹ Although mixing targets can cloud an argument, earlier intervention is also promoting social inclusion, which is one of the core social objectives of education and an explicit target of the South Australian government.

The Southern Adelaide target will have to be worked out so that it builds into it both University and VET sector up-skilling, but the emphasis will be in increasing the flows into VET directly and the flows into Universities, indirectly. The assumption is that the *Bradley Review* targets will drive University education policy and that any VET targets will not be in place for some time to come, if at all. The precise level of the target should be determined by consultation with stakeholders.

This type of target can be extended to apply to older employees without post-school education and to incorporate life-long learning objectives.

Further targets for discussion

In addition to the two core targets, it may be worth discussing with stakeholders additional targets. Tentative suggestions would be:

Participation in employment.

Gender and age measures

People in traditionally disadvantaged groups who are without school completion or without post-school education

People below age 34 without a post school qualification

Employment targets for major works within Southern Adelaide

Integrated environmental impact of commuting

Specific areas of development and possible problem areas

Infrastructure:

The proposed education targets may appear to be overshooting the present demand for skilled labour. However, the contention of this document is that the macro-economic outlook of Australia is such that we can expect an increase in the demand for skilled labour in the next 5-10 years and an economy that depends even more on knowledge and specialist human capital than today.

If the aspirations of Southern Adelaide are to be a leader in this area, it will have to anticipate the increased demand in skilled labour in order to become a more attractive area for investment.

The capacity of Universities and the VET sector will have to be drastically upgraded for such a change to happen. More provision and more flexible provision will have to be anticipated (e.g. online) with all the quality control challenges this may introduce.

How quickly can providers respond with products that represent good value for money?

Information systems will have to be developed for students from different backgrounds to engage in post-school education. Access will become an even more important issue.

The time when major projects are completed has to be built into the long-term education strategies.

The information that is available on future (planned and approved) large projects will need to be analysed carefully with the involvement of education providers and employers.

Linking between stages of education

Linking School-VET-University has been an objective, but how effectively is it done?

Help mechanisms for disadvantaged prospective students with little support to adapt to the more demanding learning model of post-school education will need to be developed.

Pathways will have to be facilitated especially for the groups that have a traditionally low education engagement.

Demand-driven systems

It will be useful to listen to the preferences, views and needs of both employers and employees/students.

An explicit strategy for involving employers, education providers and government must be developed and implemented rigorously.

Kostas Mavromaras