

3 USING PUBLIC-PRIVATE PARTNERSHIPS TO MEET SKILLS AND LABOUR SHORTAGES

The challenge of skill and labour shortages is one faced by many countries. The shortages arise from a variety of factors, including mismatches between the skills provided by government-led training systems and the skills required by employers, and a lack of local or qualified job-seekers. As skill and labour shortages limit the level of productivity and production that can be achieved, it has become an important issue for many governments. However, addressing it and developing appropriate solutions requires engagement from multiple stakeholders, including governments, the private sector and training providers. PPPs have been increasingly implemented to actively involve the private sector in developing solutions to modern workforce challenges, like those posed by skill and labour shortages.

Several examples of PPPs addressing skill and labour shortages have been identified in APEC member economies based on responses from APEC economies and research completed by the Australian Government. This chapter will discuss these models, which are primarily focused on the development of more effective and responsive training systems.

The PPP examples are both collaborative and contractual in nature, although whether or not funding arrangements are in place, governments and private entities usually cooperate to share responsibility for the development and implementation of training systems. Through these partnerships, groups targeting skill and labour shortages undertake a range of activities such as sharing labour market information between the public and private sectors, involving the private sector in discussions on training and in the development of appropriate training measures and providing state funding for new or innovative training projects.

3.1 Australia

Australia has actively pursued the use of PPPs in the delivery of labour market policies and services. In terms of addressing skill and labour shortages, models are predominantly cooperative, and include programs such as

the National Skill Shortage Strategy and targeted industry strategies.

3.11 National Skills Shortage Strategy

The National Skill Shortage Strategy is part of a broad Australian Government policy for workforce development. The National Skill Shortage Strategy is an industry led cooperative approach addressing current and future needs of industry, particularly in vocational occupations.

The National Skill Shortage Strategy provides funding for pilots of innovative projects that aim to increase the pool of skilled labour available to industry, by either expanding the pool or re-skilling and up-skilling it. Although the Department of Education, Employment and Workplace Relations (DEEWR) provides funding support, depending on the type and time frame of activities to be undertaken, industry is also required to contribute.

Since the introduction of the National Skill Shortage Strategy, a range of industry sectors, including food trades, road freight transport and retail have received government assistance to analyse their skill needs and implement strategies to address them. Initiatives are implemented depending on the identified needs of the industry, and can include:

- raising awareness of industry career opportunities by providing information online;
- promoting employer awareness and involvement in vocational education training, particularly in schools; and
- developing flexible apprenticeship pathways which are more flexible and suited to the needs of employers.

3.12 Industry Strategies

Cooperative industry strategies, such as the Mature Age Industry Strategy, have been implemented by the Australian Government to improve the ability of industry to meet workforce skill needs. Under the Mature Age Industry Strategy, DEEWR manages cooperative industry initiatives that improve recruitment and retention measures for Mature Age jobseekers and workers. Projects funded under the program can include providing training to mature age workers in skills needed by employers or sectors and establishing employer networks to promote and assist employment of mature age workers.

An example of a Mature Age Industry Strategy project is the 'Tapping into Experience' project which encourages the retention of mature age plumbers. The project's focus is on updating the knowledge and skills base of mature

age plumbers, assisting their placement back into the industry in positions such as trade training, mentoring of apprentices and inspection work.

3.13 The Harvest Trail

The Harvest Trail program is a PPP initiative of DEEWR which has both contractual and cooperative elements. The program aims to connect producers with labour to meet demand during harvest periods to resolve labour shortages. It is provided through two partnership arrangements, the Harvest Labour Service and the National Harvest Labour Information Service.

Harvest Labour Service providers recruit and place job seekers with growers to meet their harvest labour needs, including recruiting workers from locations outside the local area. They also maintain contact with growers to understand and support their labour needs. Providers are selected by DEEWR through a competitive tender process and receive a pre-determined fee from DEEWR for each placement. In return for this funding support, they must also submit quarterly reports detailing their activity in promoting and undertaking the Harvest Labour Service, success at sourcing workers and labour market information, particularly related to vacancies.

As at June 2007, there were nine contracted providers delivering the Harvest Labour Service, located in 18 regional areas across Australia. Since the commencement of the program, over 75 000 job seekers have been placed in harvest work, with 19 000 in the 2006–07 year alone. The information provided by the Harvest Labour Service in terms of vacancies and labour markets is distributed to the wider community by the National Harvest Labour Information Service. The National Harvest Labour Information Service is a cooperative PPP that shares labour market information received through the contractual Harvest Labour Service model.

3.14 Other partnerships

There are also other examples of PPPs, including less structured models. One such example is the case of 'K J Industrial Scaffolding', a company in Australia's industrial scaffolding industry.¹¹ Recognising difficulties recruiting skilled labour and a lack of specialised training, the company entered into discussions with a local vocational training provider to develop an appropriate qualification program. The program received funding from DEEWR for the provision of training to jobseekers wishing to enter the industry. This demand-led approach

to targeting skill shortages resulted in the company successfully recruiting the skilled workers it required, as well as contributing to an increase in the overall availability of skilled workers in the region.

3.2 Canada

In Canada, PPPs have been utilised to meet the challenge of providing labour market and welfare services and policies in a decentralised state system where individual states have responsibility for the provision of services. The Department of Human Resources and Social Development Canada (HRSDC) works with provincial governments, as well as various other partners, including business and industry, to implement Workplace Partnerships programs. Workplace Partnerships are designed to advance partnerships with industry and educational institutions to ensure Canadians have sufficient skills and knowledge to meet workplace needs.

An example of a Workplace Partnership is the Sector Council Program, a contractual PPP that has been established by the HRSDC to encourage industries to play an active role in forming skill development systems which are responsive to industry workforce needs. The Sector Council Program provides funding support to organisations that address sector-specific workforce and skill development issues. There are currently over 30 national sector councils funded under the program, representing a wide range of economic sectors, including construction, environment, tourism and textiles. Each council is led by a partnership of representatives from key sector stakeholders, including training organisations, employer and industry groups and unions.

All sector councils are committed to a number of key outcomes, including improving sector skill development through a responsive and relevant training system and increased industry investment in skills development. To achieve these outcomes, councils have undertaken a variety of activities, including:

- providing skill development tools to employers and employees;
- assisting in the development of national occupational standards;
- influencing education curriculums to better meet industry needs; and
- targeting recruitment and skills development initiatives.

The activities undertaken by the councils vary depending on the specific needs of the sector. As a partnership of key stakeholders, sector councils are well positioned to carry out sector specific labour market research, particularly into labour and skill supply issues and through this research, councils are not only able to identify the sector's skill requirements, but also gain a better understanding of sector-specific labour market challenges, enabling them to develop the appropriate responses and activities to target them.¹²

As the sector councils represent a contractual partnership, HRSDC has identified a number of results and performance based measures which must be fulfilled by the councils to continue to receive infrastructure funding. Funding changes in the 2001 Budget emphasised the importance of meeting these results and identifying measurable outcomes, as well as the need for councils to demonstrate their ability to continue delivering results.

The Budget also encouraged the development of 'exemplary' councils, through focusing on expanding coverage and scope to encompass more of the labour market, optimising performance of councils in terms of sustained and ongoing activities, implementing innovative and creative solutions and strengthening the links between government priorities and the councils.¹³ The close relationship that sector councils create between sector stakeholders is important in allowing them to respond quickly and act effectively in their role as facilitators of labour market improvement.

3.3 Malaysia

The Malaysian Government has implemented PPPs to address skill shortages by encouraging private sector participation in the skill development system. Under the Second Outline Perspective Plan 1990–2000 the Malaysian Government identified a need for greater involvement by the private sector in the government-led training system to ensure that training provided the skill required by workers and to promote a more competitive national labour force.¹⁴

The Second Plan encouraged the private sector to become actively involved in the development of training curriculums, and to share resources in the training sector, particularly through investment in higher level technical skills and the establishment of state based skill development centres. The Third Outline Perspective Plan,

2001–2010 built on this by continuing to promote the importance of training systems and cooperation to stimulate the development of a knowledge based economy.

The Penang Skill Development Centre offers an example of the PPP model encouraged by both plans. Established in 1989, the Penang Skill Development Centre was an initiative of the local state government to correct the mismatch of skills between the skills provided through the training and the skills demanded by industries.¹⁵ The Penang Skill Development Centre pools the resources of industries, training institutions and the government to provide training in skills required by the electronics industry, including management and technical skills.

Initial support was provided by the state government, in the form of facilities and equipment, as well as cash grants for operation and staffing costs. However, although there are public sector representatives on the centre's managing council, most of the responsibility for ongoing support and management rests with the private sector.¹⁶ Currently, over 140 companies are members of the The Penang Skill Development Centre and the centre relies on these members to provide experts, equipment and materials to deliver training, particularly in areas which require technical or practical components. The success of this partnership model in delivering demand-led training has led to the establishment of similar centres in other Malaysian states.

The Malaysian Government has also introduced the National Dual Training System to provide training for skilled workers to meet the needs of industries. The National Dual Training System is provided through a partnership between the Malaysian Department of Skills Development, which funds training centres and oversees the quality of training, and employers, who sponsor apprentices and provide suitable in-house training, and training institutions, which provided accredited training.

Under the National Dual Training System, apprentices are contracted to companies, which take responsibility for their training and skill development. Training provided under the system is determined through consultation between the partners, and employers and training institutions directly collaborate to determine suitable training methods. Training is conducted primarily in workplace training centres provided by employers, with apprentices also required to attend training at off-site training institutions.

3.4 Mexico

The Mexican Federal Government, in association with state governments, has pursued PPPs with the private sector to meet demands for skilled labour. The Universidad Politécnica de San Luis Potosí is an example of this type of partnership. High levels of investment in the industrial sector in the state of San Luis Potosí have led to an increased demand for skilled labour, particularly for technological or engineering qualifications. To meet this demand, the government entered into a partnership arrangement with the private sector to design, construction, equip and operate a university campus.

The project will begin operations in October 2008, however, several benefits have already been identified from providing education and training services through partnerships between the public and private sectors. These benefits include the ability of the university to provide timely, quality services as well as providing qualifications that meet the needs of the local labour market.

3.5 New Zealand

In New Zealand, PPPs have facilitated cooperation between government and private enterprise to develop potential solutions to address skill and labour shortages. The Industry Partnerships program was established by the Department of Work and Income to provide opportunities for employers, industries and government to work together to address current and future skill and labour shortages, while delivering career opportunities for the department's clients. The program provides industries and employers with a single point of contact with the department and other relevant government agencies. Current Industry Partnership service offers include contracted pre and post employment skills training for clients, mentoring and career support, literacy and numeracy assistance and services to help source and recruit entry level staff.

The Industry Partnerships approach has grown progressively and been received positively by industry and employer partners over the last four years. To date Industry Partnerships have been formed with over sixty organisations which have existing or emerging skill or labour shortages, and which would benefit from a collaborative skills training or labour supply partnership with government. Industry bodies

participating in the program include those representing commercial transport, aged care, hospitality, building and construction, viticulture and horticulture, primary sector processing, chambers of commerce, unions and other large employer representation organisations and nationally significant employers.

Strategic enhancement of the Industry Partnership concept is now underway under the ambit of the New Zealand Skills Strategy, a whole of government initiative to improve the skills and productivity levels of the New Zealand workforce. The emerging 'demand strategy' approach seeks to improve skills resilience and sustainable employment for Work and Income clients by working systematically with employers to improve job quality and workplace opportunities for Work and Income clients (and other entry level employees) to learn and develop.

The new emphasis seeks an even more collaborative relationship with employers, encouraging them to invest in workforce development in conjunction with government incentives and contributions. In addition to current Industry Partnership services to employers, the demand strategy may offer new services from Work and Income. These could include dedicated account management and helping with aspects of organisational development such as training for supervisors, and helping design options for workforce flexibility.

3.6 Singapore

In Singapore, the Workforce Development Agency in collaboration with the National Trades Union Congress has utilised PPPs to deliver a skill development training program to address skill and labour shortages in high growth industries. The training program, called 'Place and Train' aims to promote training for mid-career or unemployed workers to develop the skills needed by employers in high growth industries in which they have little or no prior experience.¹⁷

Singapore's Workforce Development Agency is a statutory board under the Ministry of Manpower, although it is not a wholly public sector enterprise as its board is comprised of both public and private sector representatives. The Workforce Development Agency engages with industry, unions, employers and training organisations to identify skill issues and develop solutions through training and education.

Through the Place and Train program, jobseekers receive targeted training which is specific to employment in one of a number of industries identified as experiencing skill or labour shortages. Prior to commencing the training program, jobseekers are first recruited or selected by employers and return to these employers once the training is complete, having developed the skills necessary to meet the employer's workforce skill needs.

The cost of providing training is primarily borne by the Workforce Development Agency, which also provides funding for absentee wages, and wage support for employers after the training is completed. The funding support received by employers depends both on the age of the worker and the type of training being provided, however, it ranges from 90 per cent to 100 per cent of course fees. In 2006–07 over S\$1.4 million had been provided to approved training institutions to provide skill development programs for more than 20 industries, including healthcare, attractions, construction and retail.¹⁸

3.7 Thailand

The Thai Government has actively pursued PPPs in the provision of training and skill development services to address skill and labour shortages. These partnerships are undertaken by a number of Government agencies, including the Department of Skill Development (DSD) in the Ministry of Labour.

DSD is working to coordinate with the private sector, non-governmental organizations and relevant organisations. The National Vocational Training Coordination Committee is the national body responsible for developing policy and planning on human resource development. The committee is chaired by the Prime Minister and consists of members who are representatives from the private sector and line ministries.

At the local level there is the Provincial Vocational Training Coordination Committee chaired by the Governor with representatives from private sectors as committee members. Their responsibilities include planning and implementing training in the province to avoid duplication, better utilisation of sharing of resources, and ensuring training meets the needs of the local labour market.

The Advisory Board of Skill Development for Centers and Institutes is chaired by a representative of the private sector and members include representatives from the private and public sector. It issues guidelines on human

resource development, donates training tools and materials, issues curricula and engages in other training related activities. The Advisory Board's most important function is to provide information on skilled workforce demand in the region.

The DSD oversees the implementation of the *Skill Development Promotion Act*, which encourages private sector involvement in the training system by providing financial and other incentives to companies for the provision of training to workers.¹⁹ Companies are encouraged to establish internal training centres to provide training to their workers, to upgrade and improve skill levels, giving greater flexibility in meeting workforce challenges and ensuring skill needs are consistently met.

Enterprises that provide workers with these training and skill upgrading opportunities receive tax deductions and exemptions, including a tax deduction of 200 per cent of the cost of training.²⁰ However, the Act also includes penalties for companies with over 100 workers that do not provide training opportunities to at least half of their labour force, stipulating that they must pay a contribution to a national Skill Development Fund.²¹

Apart from its responsibility to carry out the provisions of the *Skill Development Promotion Act*, the DSD also provides private enterprises with targeted advice and training for addressing skill and labour issues. Companies who approach the DSD in response to workforce challenges must subsequently commit to a range of workforce development measures.²² These measures vary depending on different specific circumstances, but can include organising ongoing training courses and developing clear guidelines for the responsibilities and activities of each worker's role.

Under this PPP model, the Thai Government provides incentives, both financial and non-financial, to enterprises to develop and implement their own training facilities. This ensures that training is relevant to employment and provides employers with the skills they need, stimulating greater productivity as well as reducing the burden on public funds. Between October 2007 to June 2008, 3 336 729 people were trained by enterprises.

Examples of this PPP model include projects undertaken through a partnership between the Siam City Cement Public Company Limited and the DSD, such as the Skilled Construction Worker Network and the INSEE Check Dam project. These projects are aimed at addressing

specific workforce needs, by arranging and providing training to develop and improve the skills of workers and entrants to the labour market. The partnership with the Siam City Cement PLC also promotes corporate social responsibility, with projects undertaken being both sustainable and in the interests of local communities, as well as encouraging this attitude through training programs. Another project undertaken through a partnership between DSD and Siam City Cement PLC is the Cement Support to Develop Labor Skills Project.

3.71 Support to Develop Labor Skills Project

Thailand has ongoing problems with water management so the development of a water management system is vital. The production of water containers is an important measure to assist families to manage water consumption at a sustainable level. The idea of this project is to use cement and provide training to create concrete jars to assist in the household management of water management. This can then be built on as an occupation.

The Siam City Cement PLC, in partnership with the Department of Skill Development cooperate with other organizations such as the Department of Local Administration and community organisations. This ensures the project is stronger and better focussed to develop skills and the communities.

The DSD arranges for training to develop professional concrete jar makers, motivates them to be entrepreneurs, and allocates funding to support the project. Siam City Cement PLC donated 300 tons of cement, guidelines and created a video about how to make concrete jars.

The benefits of this project include:

- skilled workers are created and they can make the best use of the knowledge gained from the training as an occupation;
- a sense of social responsibility is created among skilled workers by donating their products to schools, temples and other community buildings; and
- assisting the Thai community by providing a strong foundation for the development of water resources systematically in the future.

Recognising the benefits to be gained from PPPs in the delivery of targeted training services, the 10th National Economic and Social Development Plan (2007–2011) encourages future partnerships as a means of further improving the training system and transforming the Thai economy into a knowledge-based one.

3.8 United States of America

In the United States, PPPs are being utilised to address skill and labour shortages by transforming the public workforce investment system to meet the skill demands of the private sector.

3.81 State Workforce Investment Boards and Local Workforce Investment Boards

The Workforce Investment Act forms the legislative foundation for the public workforce investment system. This law requires public and private partners to be involved in the visioning and development of public workforce investment services at both the state and local level. Under this mandate, State and Local Workforce Investment Boards have been established to direct federal funding. Both types of boards have a similar composition – including business and industry leaders, who represent a majority of the board membership and act as board chair, community leaders, and representatives from service providers and community-based organizations. While both types of Workforce Investment Boards are responsible for developing a strategic vision and direction for their respective areas, their activities and purpose are fundamentally different.

The purpose of the State Workforce Investment Boards is to develop state-wide direction and improve state performance measures; designate, evaluate and allocate funding to Local Workforce Investment Boards; and meet state performance targets, as negotiated with the U.S. Department of Labor, Employment and Training Administration (ETA). The Local Workforce Investment Boards are focussed on strategies to train the workforce to meet the employer demands of their local and regional areas, as well as to meet performance targets. Their activities include coordinating workforce investment activities with economic development strategies, developing employer linkages, promoting private sector involvement in the public workforce system, and ensuring that local areas meet performance targets.

3.82 High Growth Job Training Initiative and Community Based Job Training Grants

ETA oversees several PPP initiatives directed at improving the responsiveness of the public workforce investment system in meeting the needs of high growth industries. The President's High Growth Job Training Initiative and Community-Based Job Training Grants are examples of these types of PPPs. These partnerships are comprised of

employers, business associations, trainers, the community and technical college system, and the public workforce investment system.

The High Growth Job Training Initiative funds partnerships that collaborate in identifying workforce challenges and industry skill needs and developing training solutions to meet those challenges. The grants are focused on industries identified by the ETA as likely to grow substantially in employment terms or likely to experience changes due to technology and innovation, leading to a need for workers with new, or higher level, skills.²³

Expanding on the High Growth Job Training Initiative, the Community-Based Job Training Grants expand the capacity of community colleges to respond to the skill demands of local and regional high growth industries. Grant activities include the development of training curricula in partnership with local and regional industry leaders, hiring qualified faculty, using up-to-date equipment, and training new and experienced workers in the targeted high growth industries.²⁴ Funding for the High Growth Job Training Initiative and Community-Based Job Training Grants is provided for the establishment and implementation of specific projects, rather than on a long-term ongoing basis, allowing greater returns on public funds. As recipients of federal funding, grantees are expected to establish goals, as well as outcomes and results, which allow for their projects to be measured and evaluated.

3.83 Workforce Innovation in Regional Economic Development (WIRED)

In 2006, the ETA launched a more comprehensive model of PPPs with the introduction of the Workforce Innovation in Regional Economic Development (WIRED) initiative. WIRED targets regional labour market areas comprised of multiple jurisdictions, either within or across state borders, and encourages communities and stakeholders to pool their knowledge and resources to promote workforce and skills development at a regional level. WIRED partnerships encompass all of the regional organizations and leaders that are necessary for economic transformation of the regional economy, including the public workforce investment system; economic development organizations; employers and business associations; educational institutions at the primary, secondary, and post-secondary levels; foundations; community and faith-based organizations; investors; and Federal, state, and local agencies.

Although regions funded under WIRED have the same underlying objective of increasing regional capacity to respond to changing economic circumstances, particularly through workforce investment, the specific projects undertaken through the initiative vary depending on the needs of regional industries and employers. These activities include targeting specific high growth industries; supporting entrepreneurship; connecting workforce development, economic development and education systems; and providing assistance for leadership development.

In terms of targeting the skill needs of regional employers, WIRED regions have also engaged in development of a 'talent pipeline' and other workforce training initiatives. The development of a talent pipeline requires a focus to be placed on ensuring that the future skills needs of employers are met by enhancing educational curricula to increase their relevance to employment as well as developing occupation specific training services.

Under WIRED, funding is provided to state governors with project management and fiscal responsibilities usually delegated to a different organisation. The task of implementing projects is given to partners which have been identified as best able to carry out the project aims, and WIRED regions then distribute their grant funds to these partners. The means of determining suitable partners varied between regions, with some engaging in active competitive processes, and others deciding the allocation of funds at the grant proposal stage.

Aside from differences in the types of activities and objectives pursued by individual WIRED regions and the method for allocating grant funds, there is also a wide degree of variety in their structures, governing mechanisms and partnerships. However, in all cases, the ETA remains actively involved in both the planning and implementation processes, as well as providing advice and technical assistance, particularly in relation to the appropriate use of federal funds.

As part of the application for the grant, the ETA recommends all regions consider sources of outside funding to sustain the region's vision and grant activities. Through its technical assistance, the ETA has helped broker connections between WIRED regions and philanthropic organizations and other federal partners.

Like the High Growth Job Training Initiative and Community-Based Job Training Grants, WIRED is a contractual PPP. Therefore, despite the complexity and

long-term nature of WIRED objectives, regions have identified measures and outcomes for evaluation by the ETA and regular reports are required to assess their progress towards these goals.

3.9 Conclusion

This chapter has highlighted a range of examples of cooperative and contractual PPPs used to match skills to labour demand across APEC economies. These examples include PPPs that were government led and initiated, but also examples of projects initiated by industry. In meeting a common national goal of better matching skills to demand, it is important to draw on the knowledge, experience and resources of government, industry, and educational institutions. It is very hard for governments to go it alone in regard to skills matching as they are unlikely to be in a position to know in what industries skill needs are currently located and where future skills shortages are emerging. This is information that industry can supply.

As most national training and education systems are government controlled and funded, industry in turn needs the assistance of government to direct and adjust national training systems to better align with current and future skills needs. Of particular note are the very similar approaches taken on this issue across a range of developing and developed countries in the APEC region.

Regional PPP initiatives also play an important role in meeting and addressing skill shortages by utilising existing regional strengths, such as the pooling of community and regional stakeholders and resources and by responding to the specific needs of the region.

The important role that training providers and educational institutions play in partnership with government and industry is another critical element in providing the appropriate training and education to meet the needs of industry.

With an increasingly global workforce, more integrated national economies and rapid technological change, it is likely that the use of PPPs in addressing skills and labour shortages will become even more crucial, drawing on the strengths of government, industry, and education and training institutions.

4 USING PUBLIC-PRIVATE PARTNERSHIPS TO DELIVER EMPLOYMENT SERVICES

The delivery of employment services has traditionally been the realm of government and in many economies it remains the case. However, increasingly, governments are seeing benefit in engaging with the private sector to share responsibility for delivering employment services.

Australia has been at the forefront of this trend with the introduction of the Job Network. Through the Job Network, the private sector enters into contracts with the government and receives funding support in return for providing employment services and assistance to job seekers. This model is unique in that all employment services that would otherwise be provided by the government are delivered by the private sector. However, the government remains active in determining policy directions and goals, as well as evaluating performance.

This chapter will discuss the Australian Job Network PPP model, as well as other examples identified in APEC member economies through responses to the questionnaire provided to APEC economies and research undertaken by the Australian Government.

The PPP models implemented to deliver employment services take a variety of forms and functions, with no country presenting an identical model. Although none of the identified PPP models are as wide-ranging and complete in scope as the Australian Job Network, in all cases, the private sector is actively involved in either the delivery or the formation of employment services.

4.1 Australia

Between 1946–98, the delivery of government funded employment services in Australia was the monopoly of a single public agency—the Commonwealth Employment Service. Since 1998, Australia's employment services have been delivered via a contracted-out model—the Job Network—consisting of both commercial and not-for-profit providers.

Under the current employment services model, services are contracted out by DEEWR and providers receive payments for providing assistance, including an outcome