



# The Australian Upskill Program (Aus-UP)

Building a happier, healthier, more productive Australia during COVID-19

Supporting Materials

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3 APRIL 2020

**SPP**

# Aus-UP will deliver economic and social benefits to Australians

## OVERVIEW

The Australian Upskill Program (Aus-UP) could be an Australian and State Government initiative focused on educating the millions of Australian workers whose businesses are in partial or full hibernation.

Employers would register for training vouchers for discounted University / TAFE courses related to their industries. These vouchers would be backed by up to \$1,500 in Australian Government funding and \$1,000-\$3,500 in State/Territory Government funding. Employer contributions would cover the remaining costs, up to a maximum of \$2,500.

Workers would then undertake courses either chosen by them or their employer. These courses would primarily consist of 5-15 week online short courses, either from existing University/TAFE catalogues or adapted from existing courses

## BENEFITS

This initiative has economic and social benefits for Australia:



### Workers

- Improved mental wellbeing
- Opportunity to upskill
- Avoid 'idleness'



### Universities & TAFEs

- Closer relationship with industry
- Some cost coverage during period of weakened demand



### Businesses

- Retain and upskill workforce
- Better position to rebound
- Address skill-gaps



### Government

- A stronger, more productive workforce
- Improved mental wellbeing in Australia

## REQUIRED ACTIONS

This initiative relies on the cooperation of three stakeholders groups:



### Universities & TAFEs

This initiative requires knowledge institutions to make available short courses (approx. 5-15 weeks). This group is willing to do so



### Businesses and Workers

Businesses should be willing to support their workers with further education. Workers must be willing to study. Some incentives may be required depending on business circumstance



### Government

The Australian and State/Territory Governments must be willing to support this initiative financially

## IMPLEMENTATION

The implementation of this initiative should follow three principles:

1. **Use Existing Mechanisms** – the ATO could serve as a central conduit for distributing funding. Universities should use existing online infrastructure
2. **National Approach** – State Education Departments should administer the initiative locally, coordinating via the ATO and Department of Education
3. **Six Month Duration** – the duration of the initiative should be aligned to the JobKeeper program

**\$40bn**

The Aus-UP program has been costed at \$40bn for 6 months, assuming an uptake of approx. 4m enrolments. **Government will contribute up to \$20bn.**

# COVID-19 is having an unprecedented impact on businesses, workers and Australian society

## IMPACT OF COVID-19 ON KEY STAKEHOLDERS

### Businesses



- As the COVID-19 pandemic worsens, businesses will be faced with increasing financial pressures stemming from reductions in demand driven by Government edicts to contain the spread of the virus
- Already, Australian businesses of all sizes and industries have seen significant lay-offs or reductions in activity, placing significant pressure on cash reserves.
- Some businesses have entered into a state of 'hibernation,' with the intention of re-opening once demand increases

### Workers



- Industry wide reductions in business activity mean that many workers will have increased 'capacity' over the coming months
- Many of these workers will be supported financially over this period through the Australian Government's JobKeeper and JobSeeker programs
- However, the reduction in workload may result in dissatisfaction among workers and a potential negative impact on their mental health

### Universities/TAFEs



- It is expected that COVID-19 may cause a 20-30% drop in international student numbers in 2020 and 2021, impacting operational sustainability of major Australian Universities
- Some reduction in domestic student load is also expected due to student dissatisfaction with online learning arrangements
- The overall reduction in student demand means that Universities are likely to have additional capacity to deliver courses

### Society

- A surge in unemployment might lead to **mental wellbeing** and social stability issues
- Many sectors will **not be ready for re-emerge** following the crisis due to a lack of team members/skills
- Long periods of unemployment could **reduce productivity** during the ramp-up stage
- Education sector upheaval could **weaken the global competitiveness** of Australian **education providers**

**There is an opportunity to use excess workforce capacity to upskill Australia's workers**

# Aus-UP will deliver significant economic and social value

## BENEFITS TO KEY STAKEHOLDERS



### Workers

- Free training program in addition to Government financial support
- Improved mental wellbeing by having activities to undertake/goals
- Opportunity to upskill, improving employment prospects during the rebound



### Businesses

- Greater ability to retain and engage workforce during economic downturn
- Improved workforce with broader/more developed skillsets
- Skill gaps addressed in a cost-effective way
- Better prepared to capitalise on the rebound of the economy



### Education Institutions

- Able to leverage unused capacity and capability
- Partial cost coverage during a period of weakened demand
- Opportunity to establish partnerships with businesses, leading to research collaboration opportunities and improved education offerings
- Better understanding of market needs, which could inform service delivery in future



### Government

- A more highly-skilled and productive workforce
- An efficient approach to support the long-term economic and social well-being of Australia

# Business segmentation will guide policy implementation

## SEGMENT NAME AND CHARACTERISTICS

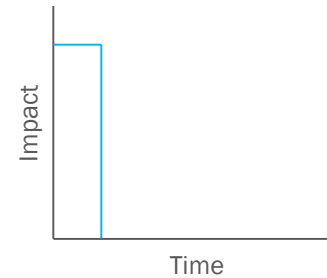
## COVID-19 IMPACT

## EXAMPLE INDUSTRIES

### The “L” Shape

Businesses ceased all activity, either due to Government edict or weakened demand

- Up to 100% of the workforce has been stood down
- Management not in a position to directly support workers
- Strong prevalence of technical skills and limited skillset diversity – primary candidate for TAFE courses
- Unable to contribute financially to Aus-UP – will require subsidisation from the government

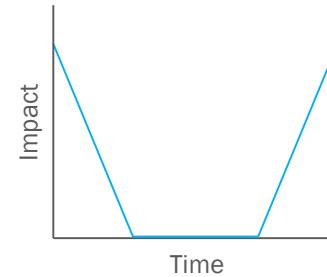


- Hospitality
- Retail
- Travel/Tourism

### The “V” Shape

Businesses that are in ‘hibernation’, but are not trading insolvent

- 80-100% of the workforce is in ‘hibernation’
- Business expected to quickly ramp-up once demand increases, requiring the fast deployment of the workforce
- Mix of technical and professional skills – candidate for TAFE/University courses
- Unable to contribute financially to Aus-UP due to limited revenue

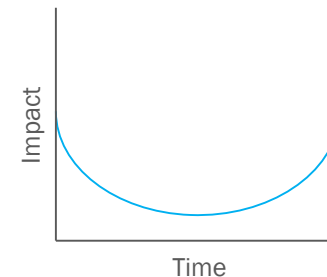


- Travel/Tourism
- Retail
- Manufacturing
- Healthcare (non-essential)

### The “U” Shape

Businesses that are in a partial ‘hibernation’, with some activities continuing

- 0-80% staff in ‘hibernation,’ with a significant decrease in commercial activity
- Business expected to quickly ramp-up once demand increases, requiring the fast deployment of the workforce
- These industries are typically professional or knowledge-based – primary candidate for University short courses
- Can contribute financially to Aus-UP



- Professional Services
- Education
- Manufacturing
- Healthcare (non-essential)

# The policy operating model could be based on three principles

## OPERATING MODEL PRINCIPLES

### 1 Leverage Existing Mechanisms

*To minimise set-up times and cost, it is recommended that the Government use existing systems and processes. Universities/TAFEs should use existing courses where possible*

### 2 Adopt a National Approach

*Due to jurisdictional differences between Universities and TAFEs, it is recommended that this policy should be implemented by both Australian and State/Territory Government Departments of Education*

### 3 Use a Six Month Timeframe

*The program should be planned for, implemented and concluded within the six month timeframe allocated for the initial JobKeeper program. Any extension to JobKeeper should be accompanied by an extension to Aus-UP*

## OPERATING MODEL CONSIDERATIONS



### Program Positioning

- The positioning of this program towards workers vs. businesses will influence the control that workers have over the courses that they undertake.
- As businesses will likely be receiving the training vouchers, the Australian Government could mandate that businesses select a small list of courses for their workers to undertake. This would ensure that the program delivers sufficient benefit for businesses and workers



### Course Types

- State and Federal Government may wish to consider limiting the list of available courses to those that confirm to the Australian Skilled Occupations List, or any other list as deemed appropriate by the relevant Government



### Clearing House

- Government should consider how best to manage demand for particular courses and Universities
- Demand could be managed through State Department of Education based 'clearing houses' to assess business requests, or alternatively through a 'Course Credits' trading scheme where businesses trade for course enrolments



### Funding Arrangements

- The Federal Government should consider using the ATO as the central vector for distributing funding to Universities
- Other funding arrangements, such as the use of the HECS-HELP and FEE-HELP schemes, could be explored as means to reduce total Government contributions in the long-run

# Initial Aus-UP cost estimates are \$40bn if at upper end 4million workers subscribe

The following table has assumed an average course cost of \$10,000.

## ESTIMATED PROGRAM COSTS AND FUNDING STAKEHOLDERS (ASSUMING 4 MILLION ENROLMENTS @ \$10,000 EACH):

Stakeholder	Contribution	Funding Type	Description	Other considerations
<b>Universities &amp; TAFEs</b>	<b>\$20bn</b> (50%, \$5,000 per course)	Course subsidy (non-cash)	Universities would provide "in kind" subsidy of courses to cover 50% of the total cost (e.g. a short-course may normally cost \$10k, but the institution would offer it for \$5k)	<ul style="list-style-type: none"> <li>Universities and TAFEs will be most willing to subsidise courses that have a low variable cost of delivery (i.e. minimal manual marking)</li> </ul>
<b>Australian Government</b>	<b>\$6bn</b> (15%, \$1,500 per course)	Cash contribution	Federal Government would provide co-funding of \$1,500 per enrolment for all national enrolments	
<b>State &amp; Territory Governments</b>	<b>\$4bn-\$14bn from States</b> (10-35%, \$1,000-\$3,500 per course)	Cash contribution	The State and Territory Governments would provide co-funding of \$1,000 per enrolment for all enrolments in their jurisdiction	<ul style="list-style-type: none"> <li>Where businesses are unable to make contributions, State Governments should cover the funding shortfall*</li> </ul>
<b>Employers</b>	<b>Up to \$10bn</b> (25%, \$2,500 per course)	(deferred) cash contribution	Employers would cover any remainder of the course cost up to \$2,500* (above the \$7,500 contributed by other parties)	<ul style="list-style-type: none"> <li>Businesses may be reluctant to part with up-front cash under current conditions</li> <li>"L" and "V" type businesses are unlikely to have sufficient cashflow to make this contribution</li> </ul>

**Total cost: Up to \$40bn (Government contribution of up to \$18bn)**

*For ~4 million enrolments @ a maximum of \$10,000 per course*

\*as identified earlier, many businesses may not be able to afford their contributions – arrangements may need to be made to cover their contributions

Source: SPP Approach



## About SPP

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