



Australian Government

BUDGET
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Building Australia's Future Workforce: trained up and ready for work



May 2011

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Building Australia's trained up and

To meet the challenges of the 21st Century, Australia needs to build an educated and skilled workforce and ensure there are opportunities for all Australians to experience the benefits of work

Skilling Australia's Future Workforce — \$3.0 billion over six years, including reform of the training system

Placing industry at the heart of the training effort

- \$558 million in a new National Workforce Development Fund – partnering with industry to deliver more training outcomes designed to meet the needs of a growing economy
- An estimated 130,000 industry-focused training places

Apprenticeships that work for more Australians

- \$100 million to support new approaches to training to ensure skilled apprentices can gain their qualifications sooner
- \$101 million for mentoring to support apprentices and trainees through to completion of their training, including funding to provide advice to prospective apprentices on the right trade for them

Vocational education and training (VET) to meet the longer-term needs of the economy — \$1.75 billion

- Review the Commonwealth's \$1.4 billion per annum investment in the National Agreement on Skills and Workforce Development to secure reform outcomes and develop a whole-of-government commitment to training
- Additional investment of \$1.75 billion over five years from 2012-13 under a new National Partnership with the states and territories, conditional on more ambitious reforms to make the VET system more transparent and productive

Building better skills for workforce participation

- \$143 million to provide 30,000 additional commencements for job seekers in the Language, Literacy and Numeracy Program
- \$80 million for additional training places for single and teenage parents
- \$20 million to expand the Workplace English Language and Literacy program to support businesses who want to boost the basic employment skills of their workers
- \$20 million to ensure disadvantaged job seekers can access the Australian Apprenticeships Access Program



Future Workforce: ready for work



Participation through rewards, opportunities and responsibilities

Improving incentives in the tax system

- Increasing the amount of the Low Income Tax Offset (LITO) in people's take home pay from week to week means more immediate and direct returns to work for over 6.5 million taxpayers who receive the LITO
- Phasing out the Dependent Spouse Tax Offset for people aged under 40 to improve participation incentives

Investing so more young Australians are earning or learning

- Increasing Family Tax Benefit Part A (at a cost of \$772 million) to support the families of around 650,000 children over the next five years to stay in full-time school or training
- Extending the 'Earn or Learn' requirements and eligibility for Youth Allowance (other) to unemployed youth aged 21, and increasing their rewards to work
- Providing \$68 million for improved support services for young Australians

Rewarding and supporting single parents to engage in work

- Introducing a more generous income test for single parents on Newstart Allowance with school-age children, which better supports part-time work for 50,000 recipients
- Providing additional training, career advice and parenting support
- Making Parenting Payment eligibility more equitable

Supporting very long-term job seekers

- Offering incentives for employers that provide new opportunities for around 35,000 very long-term unemployed people
- Introducing stronger participation requirements in activities to provide skills and experience to find work

More opportunities for people with disability

- Fast-tracking strengthened Disability Support Pension (DSP) assessment processes
- Introducing appropriate participation requirements for around 90,000 DSP recipients under 35 with some work capacity
- Allowing DSP recipients to work more hours and remain on DSP
- Providing 3,000 additional wage subsidies for people with disability



A new approach to addressing entrenched disadvantage in targeted locations

- Introducing new participation plans and support services for teenage parents in 10 locations with a view to an Australia-wide rollout
- Introducing new participation requirements and supports for jobless families in 10 locations
- Extending income management to five additional locations to address the needs of people in disadvantaged areas
- Building integrated service delivery and trialling innovative ways to help disadvantaged locations through the Local Solutions Fund.

Our strong economy is boosting incomes ...



Since the December quarter 2007, Australia's GDP has risen 6½ per cent in real terms, while real GDP in the euro area and Japan are yet to return to pre-crisis levels.

During the GFC, Australia was one of only three advanced economies not to enter recession.

Australia's economy is expected to continue to strengthen over the medium term, driven by the resources boom, which will have flow-on effects for the rest of the economy.

Ahead of the pack

The global financial crisis (GFC) arrested the growth of many of the world's economies; disrupting production and employment, and exposing government budgets.

In this context, the strength of the Australian economy stands out in contrast to the economic performance of the major advanced economies.

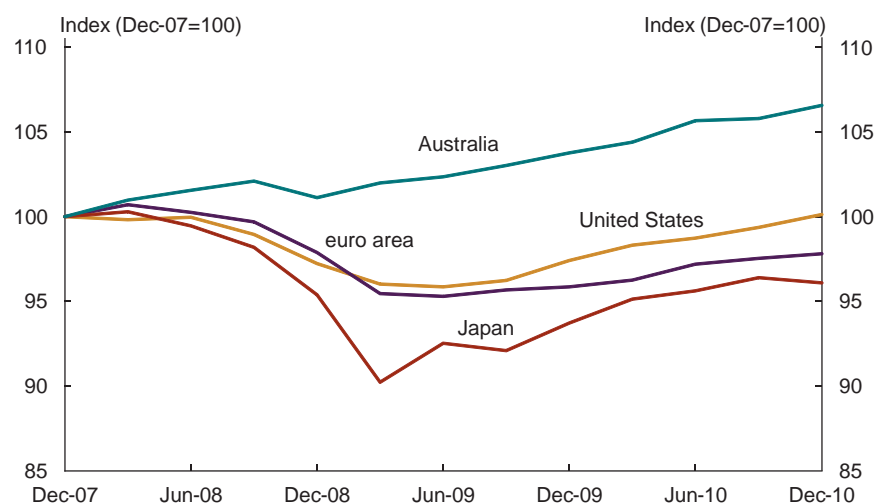
Underlying economic strength despite recent events

Despite the ongoing uncertainty following the GFC and recent natural disasters, the Australian economy has remained solid. The Government's strong and timely stimulus packages helped support growth and protect jobs and businesses.

Australia's GDP is significantly higher than its pre-GFC level, while a number of other advanced economies are struggling to make up lost ground.

The recent natural disasters dampened growth this year, but the Australian economy is forecast to grow above trend in 2011-12 and 2012-13.

Level of real GDP — Australia and selected advanced economies



Source: ABS cat. no. 5206.0, national statistical agencies, Thomson Reuters and Treasury.

... creating jobs and reducing unemployment

Employment outcomes remain strong

Australia's unemployment rate is lower than that of all major advanced economies bar Japan.

Since 2007, it is estimated that around 30 million jobs have been shed worldwide. Since March 2007, employment in Australia has increased by 9¼ per cent, compared with just 3 per cent in Canada, 2¼ per cent in New Zealand, and a decrease of 4¾ per cent in the United States.

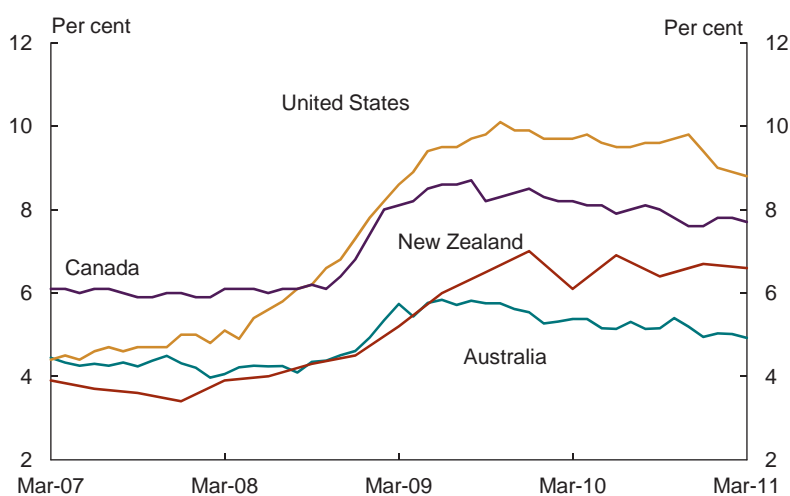
While labour market conditions remain weak in a number of other advanced economies, the Australian economy created over 300,000 jobs in the past year alone.

Our positive economic outlook

Recent signs are encouraging: economic growth is solid, notwithstanding the temporary hit from the natural disasters; unemployment has fallen below 5 per cent; and inflation is moderate.

The outlook is also positive, as economic development in China and India and the strengthening global economy continue to support output and jobs growth over the medium term.

Unemployment rates — Australia and selected advanced economies



Source: ABS cat. no. 6202.0, national statistical agencies and Thomson Reuters.
Note: New Zealand data are quarterly.



Around 750,000 Australian jobs have been created since late 2007, driving unemployment below 5 per cent.

At just 4.9 per cent, Australia's unemployment rate is lower than any of the major advanced economies except Japan.

Labour force participation is around historical highs, at close to 66 per cent.

Unemployment is forecast to fall to 4½ per cent by mid-2013, and it is estimated that close to 500,000 jobs will be created over the next two years.

However, there are still some groups at risk of missing out on these opportunities.



Capacity constraints are emerging in the labour market ...

There is growing demand for skilled workers

Demand for our mineral wealth is driving a new phase of prosperity for Australia. Growth and development in China and India is creating strong demand for our resources and brings income to Australia. In turn, the demand for skilled labour is on the increase.

The Government recognises that skills needs vary across regions, occupations and sectors. As the economy nears full capacity, businesses will need to compete for skilled workers, which can lead to skill shortages at a regional, industry and occupational level. If left unchecked, such skills shortages could constrain our economic growth and mean missed opportunities for Australians.

The mining boom creates labour demand in the mining and related sectors, but broader economic and demographic changes are also driving labour demand in health, aged care, renewable energy and other services.

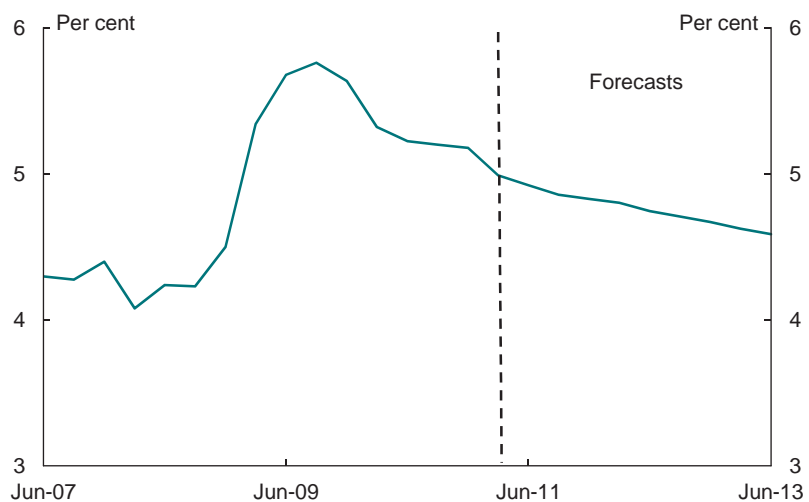
To make the most of our opportunities and maximise the benefits of the mining boom mark II — so that all Australians can enjoy economic growth with low inflation — Australia needs more workers with high level skills which match industry's needs. Emerging capacity constraints also highlight the need for longer-term reform of vocational education and training.

The pressures arising from the mining boom are occurring simultaneously with longer-term changes in the economy, particularly significant growth in health, aged care and other community services.

The ageing of the population is also driving strong demand for labour in these sectors, while long-term changes in the economy are increasing demand for skilled workers in service industries.

Demographic and economic change at the same time as strong economic growth will drive ongoing demand for skilled workers across the economy.

Australia's actual and forecast unemployment rate



Source: ABS cat. no. 6202.0 and Treasury.

... yet some groups are at risk of being left behind

There has never been a better time to enter the workforce

Our economic strength provides a unique opportunity for more people to engage in the workforce and ensure that the benefits of work and economic prosperity are shared by all. Providing opportunities for disadvantaged groups to train and work improves their career prospects and is a pathway to better life outcomes.

Young people

There are 320,000 young people who are not in education, employment or training.

Ensuring young people finish school and make the transition into further study or employment is important to ensure they get off to the right start and prevents them from falling into a cycle of disadvantage.

Single parents

The employment rate of single mothers whose youngest child is aged 5 to 9 years is 59.8 per cent compared with 71.4 per cent for partnered mothers.

Parents with school-age children should be supported to work to increase income and community engagement, and as it improves outcomes for their children.

People with disability

There are around 130,000 people under the age of 35 on the Disability Support Pension, more than half of whom have some capacity to contribute.

Many people with disability want to work if they can but they may need extra support.

The very long-term unemployed

There are around 230,000 people who have been on income support and registered with employment services for two years or more.

Prolonged unemployment increases the difficulty of finding work. Very long-term income support recipients are unlikely to find employment without intensive and targeted assistance.

Areas of entrenched disadvantage

Chronic and concentrated labour market disadvantage persists in some locations. These add to patchwork economy pressures, preventing some Australians from benefiting from the growing economy and opportunities provided by work.



Despite the strength of the Australian economy, some groups of Australians still record low rates of participation or high rates of unemployment.

There are also particular locations with high levels of entrenched disadvantage and unemployment levels well above the national average.

This difference is even being felt within cities, with the unemployment rate in the eastern suburbs of Sydney at 3.3 per cent, while in south western Sydney the unemployment rate is at 7.1 per cent.



We've planted the seeds for future growth

We have almost doubled school investment, providing \$64.9 billion over four years compared to \$32.9 billion provided by the previous government.

In the three years from 2008 to 2010 the Government has invested a total of \$10.9 billion in vocational education and training through both ongoing and capital funding.

The Government has increased funding for higher education teaching and learning from \$5.8 billion in 2007-08 to \$8.3 billion in 2011-12.

Over the past four years the Government has delivered reforms to lift Australia's skills and workforce participation. These reforms are shifting Australia to a high participation, high skill economy.

The Government has made a substantial investment in education and training, including:

- **Higher Education** — in 2011, in excess of 480,000 undergraduate university places are being funded, rising to more than half a million places next year, an increase of 20 per cent since 2008
- **Trade Training Centres in Schools** — \$2.5 billion over 10 years to boost Year 12 attainment and address skills shortages
- **Schools** — record investments in school infrastructure, literacy and numeracy, and low socio-economic areas. Reforms to make every school a great school, including improving transparency, autonomy and rewarding teacher and school performance.

The Government has also established better services to link job seekers to training and employment and pathways for people with disability to participate, including:

- **Job Services Australia** — \$3.8 billion investment over three years to deliver a new, simple and more effective employment service to job seekers
- **Disability Employment Services** — \$1.7 billion over three years to deliver uncapped, demand-driven employment services for people with disability, including catering to people who need ongoing employment support.

The Government has provided more financial assistance to families to help them balance work and caring responsibilities, including:

- introducing Australia's first national **Paid Parental Leave** scheme — \$1 billion over five years from 2009-10 to promote women's workforce participation, help give children the best start in life and support working parents
- increasing **Child Care Rebate** — from 30 to 50 per cent of out-of-pocket costs up to \$7,500 per child per year and, from 1 July this year, families will now have the choice to receive these payments fortnightly
- continuing the **Education Tax Refund** — up to \$794 in tax refunds to assist parents in meeting the costs of their child's education.

World-class infrastructure for knowledge and skills

Fostering an innovative knowledge-based economy

The Government has already invested \$810 million (including \$104 million from the Education Investment Fund) to revitalise vocational education and training facilities.

Modern infrastructure is crucial to learning and fostering an innovative knowledge-based economy. The Government has already committed \$4.15 billion to build world-class tertiary facilities through the Education Investment Fund (EIF).

This Budget provides further support for the infrastructure needs of regional students — who are under-represented in higher education.

Delivering for the regions

A Regional Priorities Round of the EIF will deliver \$500 million to support capital investment projects in regional higher education and vocational education and training institutions.



The vocational education and training sector not only needs to expand activity in its traditional areas; it also needs to ensure it is flexible and responsive enough to meet the changing needs of our society — in rural, remote and regional Australia, as well as in city centres and outskirts.





Investing now to create a high-skilled workforce

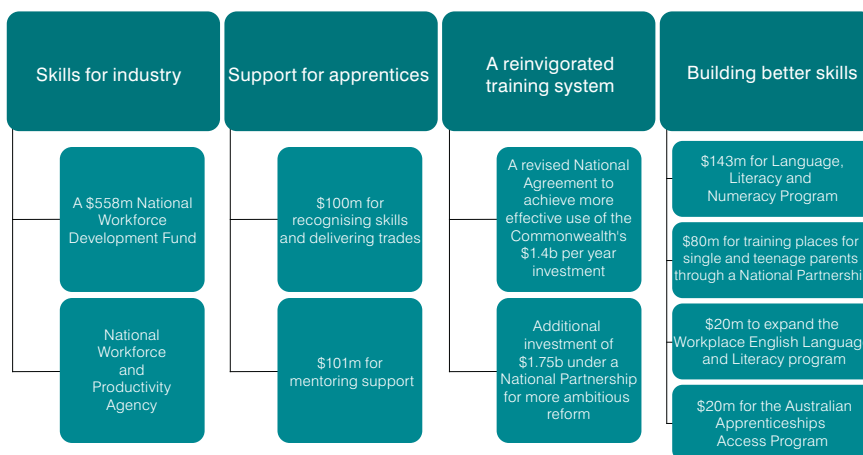
Investing in training to support growth

Given the strength of our economy, it is critical that we increase skill levels in order to meet strong labour demand and keep our economy growing. That is why the Government is ensuring we get maximum value out of our investment in skills, by:

- placing industry at the heart of the training effort — investing \$558 million in a National Workforce Development Fund, which will deliver 130,000 high quality training places tailored to the needs of industry
- reforming apprenticeships to make them work for more Australians — providing more than \$200 million in support through mentoring and modernising the system to achieve stronger outcomes
- reforming the vocational education and training sector to meet the longer-term needs of the economy — putting strong reform criteria around our \$7 billion funding commitment to the states and territories over five years from 2012-13 and offering up to \$1.75 billion additional funding over this timeframe for states and territories prepared to sign up to more ambitious reform
- building better skills to support workforce participation — investing \$263 million to help people attain skills such as reading, writing and numeracy.

The costs of the package have been met by making improved use of \$1.4 billion in existing skills funding over four years.

Providing the training needed for the future



The Government has a strong record in delivering reform to lift the level of skills and the workforce participation of Australians.

In this Budget, the Government will continue to improve its investment in the skills of Australians — to secure prosperity and build opportunity.

A skilled workforce will underpin the continued prosperity of the Australian economy.

Encouraging participation in work and training is vital to meeting the labour demands of Australia's strong economy.



Placing industry at the heart of the training effort

A new partnership with industry

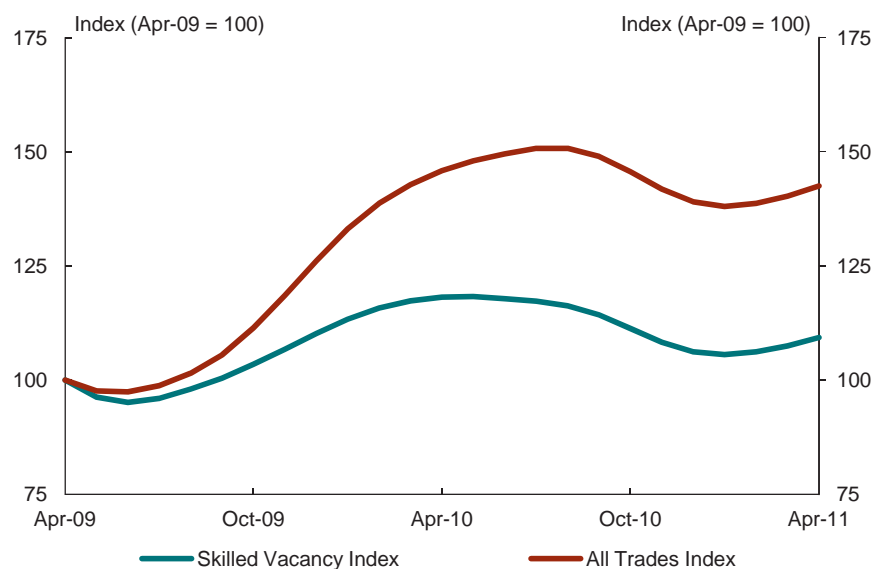
The Government is investing \$558 million over four years in a National Workforce Development Fund (the Fund) to respond to the most critical emerging skills needs facing Australian industry, including at a national, regional and sectoral level. It is anticipated that the Fund will support an estimated 130,000 training places over four years.

The Government understands that training needs differ across regions, industries and occupations. This new partnership with industry will ensure that our training investment delivers quality training outcomes that meet the needs of industry, support economic growth, and ensure students have quality jobs at the end of their training. It is expected that the new Fund will make a major contribution to delivering the higher level skills industry needs.

The training places will require co-investment from industry, targeting an average of 50 per cent of training costs, recognising the shared responsibility for training between Government and industry.

Funding for the Critical Skills Investment Fund, announced as part of the *Skills for Sustainable Growth* strategy in the 2010-11 Budget, is included in the Fund.

Demand for labour in skilled trades is strong



Source: Department of Education, Employment and Workplace Relations, *Vacancy report*.

As the economy approaches capacity, skill shortages are emerging at the regional, industry and occupational level.

Research indicates that shortages are most acute in professional occupations and the traditional trades. Timely and targeted interventions focused on identified skill shortages have the potential to alleviate capacity constraints and support stronger economic growth.

A tight link between industry demand for skilled workers and Government investment in training will help focus training expenditure on the needs of the economy.

Working with employers and unions

National Workforce and Productivity Agency

To support the new partnership with industry, the Government will establish a new \$25 million National Workforce and Productivity Agency (the Agency). The Agency will be resourced for intensive engagement with industry, industry skills councils, employer associations and unions, in order to help inform Government and industry workforce planning.

It will work closely with industry to determine the key workforce planning and development areas needed to overcome skill shortages and to lift workforce productivity.

The Agency will administer the new National Workforce Development Fund to ensure that available resources are targeted to the areas of greatest skills need, and to undertake research regarding the future nature of work in Australia.

Productivity Education and Training Fund

The Government will also provide \$20 million over two years for a Productivity Education and Training Fund to assist trade unions and employer organisations to achieve better productivity outcomes through enterprise bargaining under the Fair Work Act.

How the National Workforce and Productivity Agency will work with industry



Leah runs a medium-sized aged care service. She is keen to upskill her staff to a Certificate IV but lacks the spare cashflow to invest in training.

Leah has recently learned about the National Workforce Development Fund. Through this Fund, the Government will fund half of the training costs. She forms a partnership with a local registered training organisation to deliver the training she needs.

At the end of the project, Leah is able to improve the skills of some of her employees, allowing them to deliver better care to the aged care residents.



Apprenticeships that work for more Australians

Improving the effectiveness of apprenticeships

The Australian Apprenticeship system is the backbone of Australia's technical and trades skills. But it needs reform to overcome low completion rates, variable training quality, long periods with poor wages and a lack of mentoring support. The Government has already started to modernise Australia's Apprenticeship system, including:

- from 1 July next year, school students will be able to commence a new National Trade Cadetship — a recognised academic pathway for apprenticeships
- from 1 January this year, eligible apprentices will have been able to receive tax-free bonus payments, up to \$5,500 as they reach key milestones in their training.

As an initial response to the recent *Expert Panel on Apprenticeships for the 21st Century* report, the Government is investing an additional \$201 million to set the course to a modernised and efficient apprenticeship system.

Reforming the apprenticeship system is vital to building stronger pathways to work and careers for young Australians. These first steps in reform provide support for apprentices to progress as they learn rather than serving time, more support for training through mentoring and assistance in and choosing the right training path.

The Government is taking initial steps towards an improved apprenticeship system so apprenticeships work for more Australians. This will help to meet employer demand for trade and technical skills.

The Government will undertake further consultation during 2011 with employers, apprentices and other interested stakeholders on the Expert Panel's findings prior to taking the next steps in this important process.



Success through experience and support

More Australians than ever before are embarking on a career through an Australian apprenticeship, but only around half complete their training. This represents a significant waste of economic potential.

Additional support through mentoring

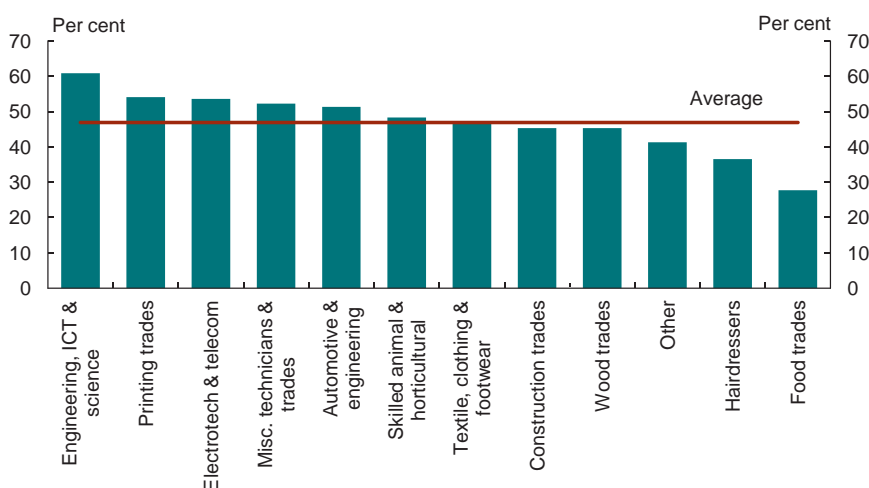
Mentoring is a proven way of supporting apprentices through to completion of their training. That is why the Government is investing \$101 million for mentoring.

The Government is providing mentoring assistance for up to 40,000 eligible Australian apprentices, over four years, in the traditional trades as well as in small to medium business. Mentors will be experienced tradespersons and will help apprentices to deal with difficult situations (such as living away from home), stay motivated and go on to complete their training.

Choosing the right training path

The Government will also support school leavers considering an apprenticeship, through Apprenticeship Advisors to help them when they are choosing their career path. By making the right decisions upfront, opportunities for the economy and individuals can be maximised.

Completion rates in trades by occupation, year commenced 2005



Source: NCVET 2009 Apprentice and Trainee Annual.



'Completion rates for Australian Apprenticeships are unacceptably low (about 48 per cent)'

Expert Panel on Apprenticeships

Steph has just recently commenced her apprenticeship to become a fitter and turner.

In choosing her trade, Steph was assisted by an Apprenticeship Advisor. Steph's advisor helped her to choose a trade by providing information about the job, the type of work she would be doing, as well as what qualification she would need to study.

As part of her on-the-job training, Steph will also be supported by a mentor funded by the Government through her employer. The mentor will provide guidance and support to help Steph complete her apprenticeship.



Chris worked helping in his father's mechanic workshop after leaving school. He then joined a mining company as an apprentice mechanic. As a result of prior experience, his fast learning, and the quality of his work, Chris was doing the work of an apprentice mechanic above his year level.

Under the competency-based progression initiative, Chris' employer received assistance through his industry skills council to instil competency-based progression in his workplace.

As a result Chris' previous skills were formally recognised and he completed his apprenticeship in under three years.

Recognising skills — delivering trades

Recognising skills for faster completions

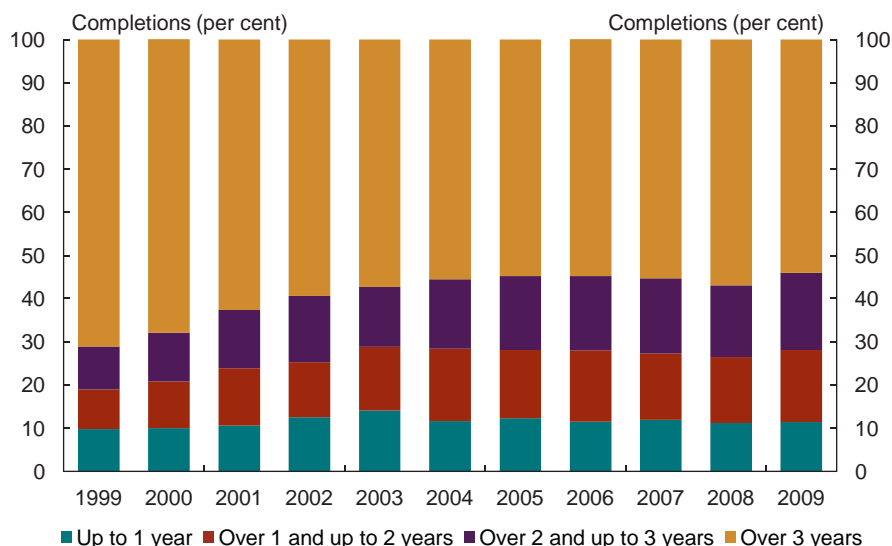
Competency-based progression provides the opportunity for individuals to be recognised for their skills sooner (including progressing to higher wages), provided they meet relevant standards.

To this end, the Government is investing \$100 million to support Accelerated Australian Apprenticeships based on the skills gained rather than time served. This includes funding for new projects to trial new apprenticeship models. For example, industry will be able to provide training customised to the needs of individual apprentices so that they can move more quickly through their training and advance to the next level of learning and pay. They will be supported by the development of model clauses in awards which could allow for apprentices to progress based on their skills, to receive higher first and second year wages.

Recognising the skills of mature age workers

A \$30 million More Help for Mature Workers initiative will help employers take advantage of the experience of older workers, through skills assessments, recognition and gap training for workers 50 years and over who have trade relevant skills but no formal qualifications. This will acknowledge the valuable lifetime learning that many mature trade workers have accumulated but do not have formally recognised. It will also help eligible mature workers with job retention, progression and transition.

Most apprenticeships take over three years to complete and there has been little improvement over the past 10 years



Source: NCVET, Apprentices and trainees, 2009 annual report.

Building better skills for workforce participation



Skills for workforce participation

In this Budget, the Government is investing \$263 million to help people attain the basic skills such as reading, writing and numeracy needed to participate in the workforce, including:

- \$143 million to provide 30,000 additional commencements for job seekers in the Language, Literacy and Numeracy Program
- \$80 million for additional training places for single and teenage parents
- \$20 million to expand the Workplace English Language and Literacy program to support businesses who want to boost the core skills of their workers
- \$20 million to maintain the number of places in the Australian Apprenticeships Access Program to ensure apprentices have the basic skills they need.

These measures build on the \$116 million investment in language, literacy and numeracy in the 2010-11 Budget through the *Skills for Sustainable Growth* initiative.

National Foundation Skills Strategy

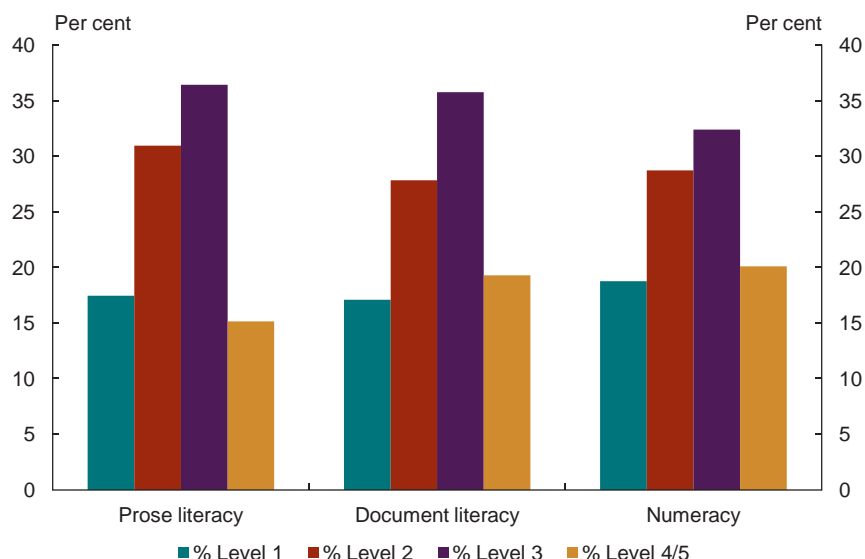
The Government is also developing a National Foundation Skills Strategy in consultation with states, territories and other stakeholders. The Strategy will provide a framework for provision of skills training, and will be released by the end of 2011.

Around 40 per cent of working age Australians need improved literacy and numeracy skills to participate in society and meet the requirements of the jobs of the future.

Poor foundation skills can have significant negative impacts on individuals and the economy, resulting in lower wages, fewer job opportunities, reduced participation and constraints on productivity.

These are further steps towards building better skills for improved workforce participation and future changes will be informed by the National Foundation Skills Strategy.

Literacy and numeracy — Australians aged 15 to 74



Source: ABS cat. no. 4228.

Note: Level 3 is defined as the 'minimum required for individuals to meet the complex demands of everyday life and work in the emerging knowledge-based economy'.



A fresh vision for training

Building a training system focused on participation and productivity

A strong vocational education and training (VET) system is fundamental to a strong economy. We need a system capable of driving the next wave of productivity and innovation.

The Budget delivers a major reform in VET through a new partnership between the Government and industry to lift the skills and capacity of Australia's workers.

The Government will set new benchmarks for improved quality, transparency and outcomes from the states and territories as a condition for its base agreement on VET, worth \$7 billion over the next five years.

In addition, the Government will offer an additional amount of up to \$1.75 billion from 2012-13 for those jurisdictions that are prepared to sign up to more ambitious reform to the performance and quality of their respective public training systems.

Over the coming months we will consult with states and territories, industry, students and providers about the structure and principles that should underpin the new agreement and National Partnership.

The VET system needs to be more productive and high performing — currently around 1.7 million Australians study in public VET each year but fewer than 30 per cent complete their course.

It needs to:

- be more efficient so that effort and funding is better matched to areas of skills shortage, as well as future jobs and innovation
- be more transparent, so that employers and students can be confident about training providers and the skills they get from the system
- provide opportunity to all Australians — including those outside the labour force so that they can have the opportunity to experience the benefits of work
- be more responsive to the needs of industry and students.



Modern and revitalised vocational education and training

The Australian Government vision for reform in vocational education and training

A system that is more efficient:

- aligns training effort with emerging skills, innovation and technology needs, fast growing sectors of the economy and is responsive to user needs
- builds stronger pathways so that more students can move between VET and higher education qualifications.

A system that delivers greater equity and economic mobility:

- increases training effort at Certificate III level and above and delivers higher level qualifications
- lifts the participation rates and skills base of disadvantaged learners and regions.

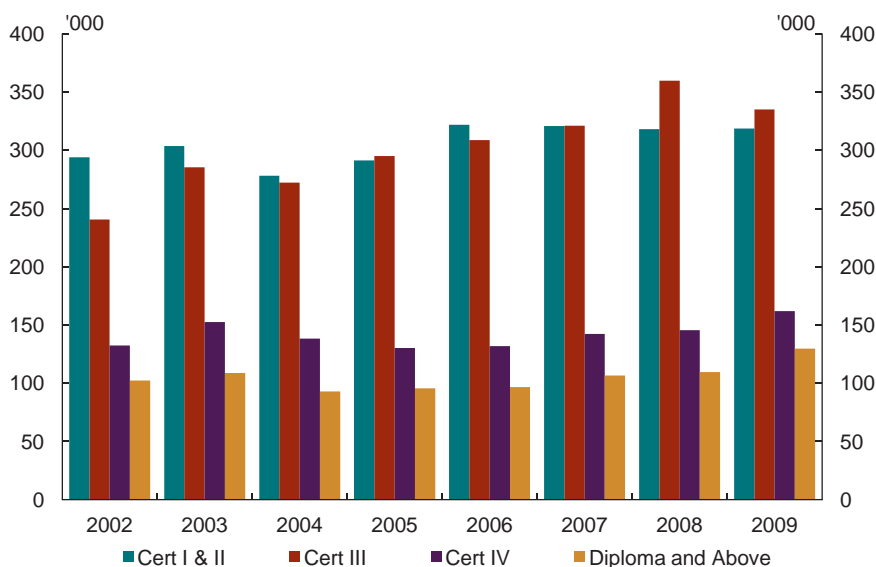
A system driven by quality and transparency:

- rewards performance including improved completion rates, and increases the proportion of students who have a proper assessment and recognition of their existing skills prior to commencing training
- is transparent about funding and quality of outcomes
- has quality benchmarks and lifts the quality of teaching and learning and the level of student and industry satisfaction with providers.



The Government is setting out a plan to modernise the VET sector for the future to meet changing economic and social needs.

A key objective of the reform is to increase high quality training



Source: NCVET, Australian Vocational Education and Training Statistics.



Spreading the benefits of workforce participation

As the boom sectors draw labour from across the country, employment opportunities are opening up across the economy. This brings with it opportunities for disadvantaged groups to engage in the workforce and experience the benefits of participation first-hand. These go beyond economic, to include health and social benefits.

In this Budget, the Government is announcing a package of measures to increase participation among key groups who are at risk of falling behind by:

- **rewarding work** through more timely tax assistance, improved income tests for single parents and young people, and incentives for employers that hire people with disability and the very long-term unemployed
- providing **new opportunities** to get people into work through training, education, child care and improved employment services
- introducing **new requirements** for the very long-term unemployed, Disability Support Pension recipients, teenage parents, jobless families and young people
- taking new approaches to address entrenched disadvantage in **targeted locations**.

Major initiatives in the Budget include:

- **improving incentives in the tax system** by amending eligibility to the Dependent Spouse Tax Offset and providing more immediate rewards for work through the Low Income Tax Offset
- additional support to help the **very long-term unemployed** find work through wage subsidies and work experience
- income support incentives and additional support services for **single parents** to encourage participation
- extension of 'Earn or Learn' requirements and provision of more support for **young people** to study or work
- introduction of participation requirements for **Disability Support Pension** recipients under the age of 35 with a work capacity of 8 hours or more
- introduction of a package of measures that recognise that **some areas need extra support**, such as:
 - early intervention for **jobless families** to promote good parenting and improve future employment prospects
 - participation plans and parenting support for **teenage parents** so they get the skills they need and their kids are ready for school



Improving incentives in the tax system

Realising the benefits of the Low Income Tax Offset (LITO) sooner

From 1 July 2011 the Government will increase the maximum amount of LITO delivered during the year through workers' regular pay to \$1,050, an increase of up to \$300 a year for over 6.5 million taxpayers.

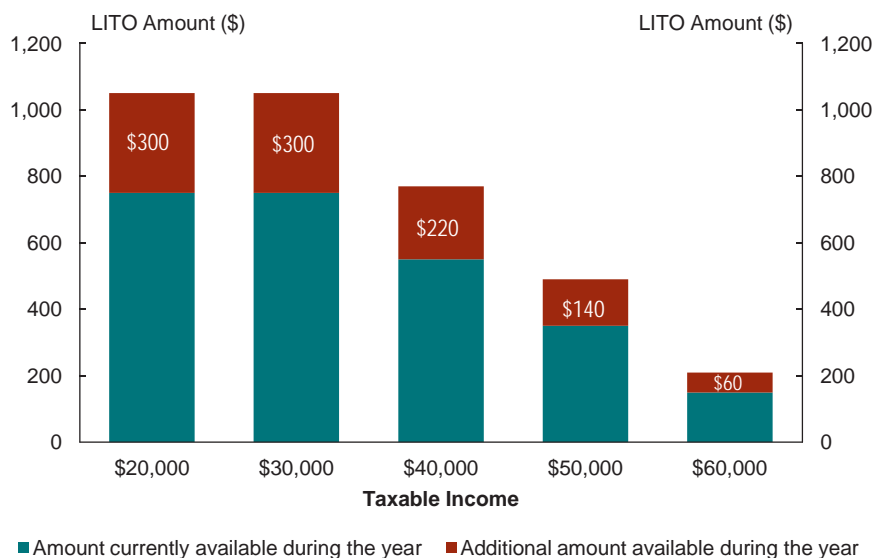
This change will mean more money for low- and middle-income earners week-on-week, improving the immediate rewards for work and helping with cost of living pressures.

Phasing out the Dependent Spouse Tax Offset (DSTO)

The Government will tighten eligibility for the DSTO so that it is no longer available for people with a dependent spouse who is 40 or under on 1 July 2011. People with dependent spouses who are carers, invalid, permanently disabled and selected other groups will not be affected.

These changes reduce disincentives to participate for people who are well placed to benefit from the employment prospects presented by a strong economy.

Additional LITO assistance will be provided during the year



Source: Treasury.



Hamish has just started out as an apprentice carpenter, and earns around \$29,000 a year.

He is entitled to the full \$1,500 of the LITO, and currently receives \$750 through the year. He gets the remaining \$750 of the LITO that he is entitled to in a cheque from the ATO after he puts in his tax return.

From 1 July 2011, Hamish will get an additional \$300 through the year (or \$11.54 per fortnight) in his pay. Hamish will still get the remaining \$450 of his LITO entitlement after the end of the tax year.



Helping more young people to earn or learn

Earning or learning

In 2009, the Government strengthened participation requirements for 15 to 20 year olds on income support who had not completed Year 12 or equivalent, requiring them to be either earning or learning. In this Budget, the Government will extend the 'Earn or Learn' requirements to those aged 21.

This is part of broader changes to delay access to Newstart Allowance by one year so that 21 year olds will now get the same payment rate whether they are employed, in training or a student. A more generous income free area and working credit will reward part-time work as a stepping stone to full-time employment.

Support to keep teenagers in school

Delivering on its election commitment, the Government will provide \$772 million over five years to increase Family Tax Benefit Part A for dependent 16 to 19 year olds in full time secondary study. This will increase the level of support by up to \$4,208 a year for 16 and 17 year olds, and by up to \$3,741 a year for 18 and 19 year olds, helping families to meet costs and support their teenagers to stay in school.

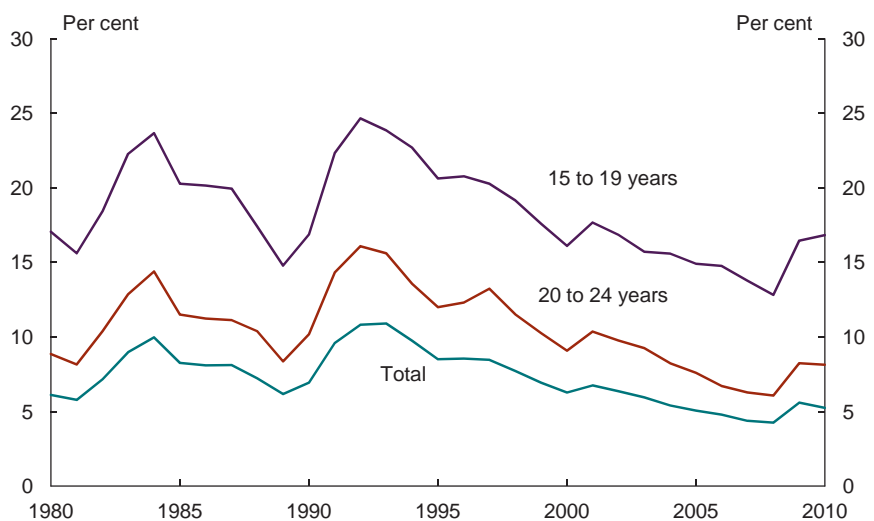
While the majority of young Australians are fully engaged in education and employment, approximately 10 per cent of people (or about 320,000) aged 15 to 24 are unemployed or not in the labour force and not studying.

Census data show that people of prime working age who have completed Year 11 or 12 have an unemployment rate of less than 5 per cent, compared to more than 7 per cent for those whose highest level of educational attainment was Year 10 or less.

Focussing on Indigenous youth

The Government will redirect \$50.7 million for a new Indigenous Youth Career Pathways Program that will provide supported school-based traineeships to assist Indigenous students in selected schools to complete their education and transition into further education and/or work.

Youth unemployment is consistently higher than the national rate



Source: ABS cat. no. 6291.0.55.001.

Rewarding and supporting parents to re-engage in work

New opportunities and responsibilities for single parents

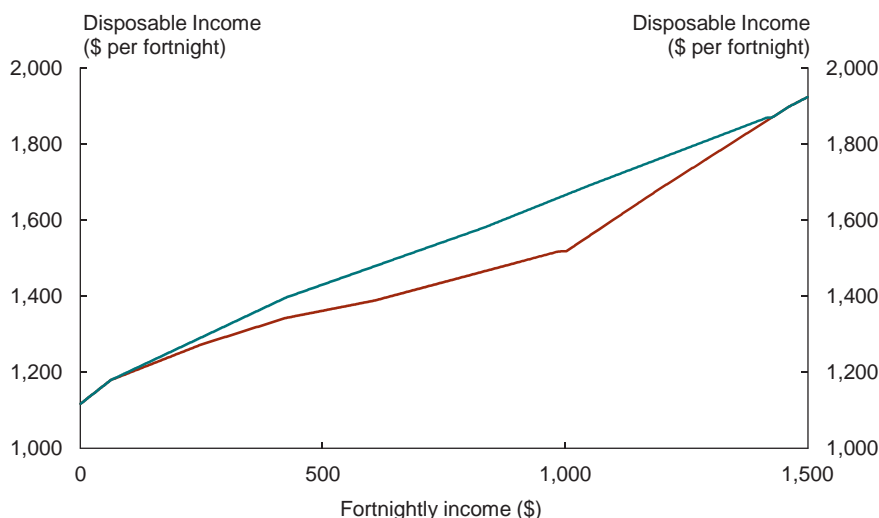
In order to encourage parents to get into work, the Government will provide \$179 million to reward part-time work by reforming the income test for single parents on Newstart Allowance. Changing the taper rate from the current 50 or 60 cents in the dollar to 40 cents in the dollar from 1 January 2013 will let them keep up to an extra \$3,900 of their income from part-time work each year.

From 1 January 2013, the Government will also gradually phase out grandfathering arrangements for Parenting Payment recipients with a youngest child aged 12 to 15, to make eligibility more consistent with the treatment of other parents. Current recipients whose youngest child was born before 1 January 2000 will be exempt from this change.

Single parents will also be supported through a package of assistance totalling \$103 million over four years, including:

- \$80 million for additional training places for single and teenage parents delivered through a National Partnership agreement with the states and territories
- \$19 million for additional community-based support for parents through the Communities for Children program
- \$4 million for access to career counselling.

Impact on disposable income for single parent on Newstart Allowance



Source: Treasury.

Note: Single parent is assumed to have two children aged 8 and 12 years old.



Kate is a single mother with a 12 year old daughter Chrissy, and an 8 year old son Maxwell. She is unemployed and receives Newstart Allowance.

Following the establishment of the National Partnership providing training places for single parents, Kate accesses a training place and secures a Certificate III in Aged Care.

She finds a part-time job as an aged care nurse earning \$300 per week, and due to the more generous taper arrangements introduced for principal carers on Newstart Allowance, she is able to keep an extra \$2,300 in disposable income each year.



More opportunity for people with disability

Supporting people with disability who want to work

Many people with disability want to work and can make a valuable contribution to the workplace. Supporting them to do so enables them to experience the emotional and social benefits of work, as well as benefiting from the income work brings.

The Government recognises this, and is introducing a number of measures to help people with disability engage with the workforce where they are able.

The Government will introduce appropriate participation requirements for Disability Support Pension (DSP) recipients under 35 years who have an assessed work capacity of 8 hours or more a week.

These recipients will be required to attend Centrelink interviews in order to create a participation plan tailored to their individual circumstances. Participation plans could involve working with employment services to improve job readiness, undertaking training, volunteering or rehabilitation.

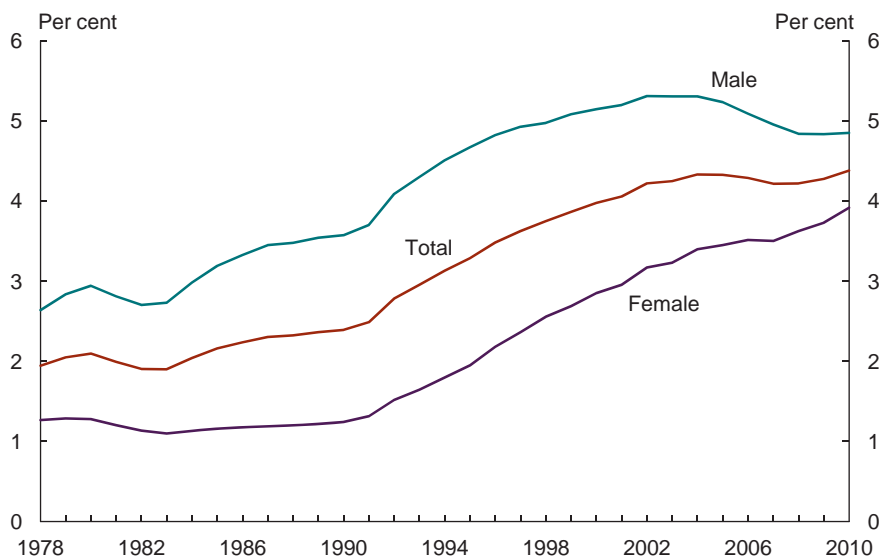
To increase incentives to work, the Government will increase the number of hours all DSP recipients can work and remain on payment, subject to the income test, from 15 to 30 hours per week.

The Government will fast-track the introduction of more accurate and efficient assessments for DSP eligibility and employment services.

From 3 September 2011, DSP applicants will need to provide evidence that they have tested their future work capacity. DSP applicants with a profound disability will not be affected.

This will be supported by the implementation of revised definitions of impairment for DSP assessment, from 1 January 2012. These are being updated for the first time since 1993, to make them consistent with contemporary medical and rehabilitation practice.

DSP recipients as a per cent of the working age population (as at June 2010)



Source: Australian Government Administrative Data, ABS cat. no. 3222.0.

Supporting employers who hire people with disability

Encouraging employers to hire people with disability

It is equally important to provide support and encouragement to employers to take on people with disability who want to work.

The Government will invest \$11 million to provide higher wage subsidies to reward employers who hire people with disability for at least 15 hours per week. A further \$1 million will fund up to 10 disability employment broker projects to implement strategies to create job opportunities and build relationships with employers.

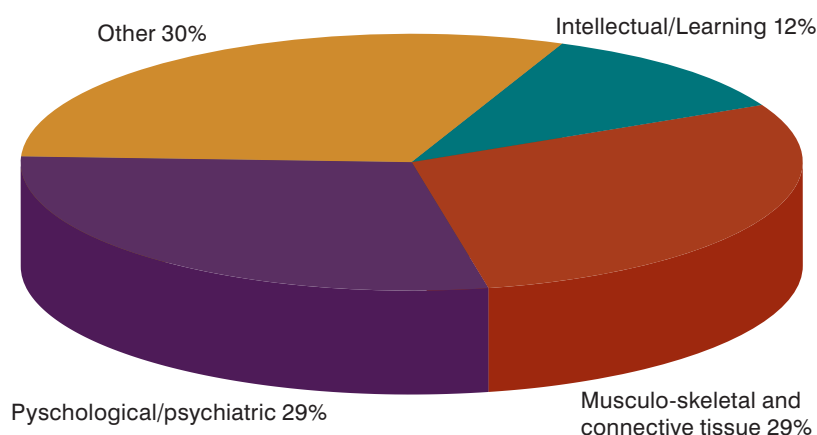
The Government is also extending the eligibility for the New Enterprise Incentive Scheme to people receiving support from Disability Employment Services.

Mental Health

Around 30 per cent of DSP recipients have a mental health condition. For these people, working can be beneficial in managing their condition.

The Government will provide \$50 million to expand Personal Helpers and Mentors services to help people with mental illness on income support who are also working with employment services. The Government will also provide \$2 million to improve the capacity of employment services to support employers to successfully recruit and retain employees with a mental illness.

DSP recipients by primary medical condition (major categories)



Source: Australian Government Administrative Data, 2010.



Laura is a 24 year old trained beauty therapist who has been on DSP for three years since being diagnosed with severe arthritis and depression, affecting her ability to participate in work.

Laura's Job Capacity Assessment determines she has a work capacity of eight to 14 hours a week, taking account of her future work capacity.

As part of the new requirements, Laura and Centrelink draw up a Participation Plan and she is required to attend quarterly interviews for the first 18 months, and two each year after that.

Laura is keen to work again and has volunteered to be referred to Disability Employment Services. Laura participates in employment services and keeps attending participation interviews.

When Laura finds part time employment as a beauty therapist, she is no longer required to attend participation interviews and can work up to 30 hours per week for two years, without her payment being suspended, subject to the income test.



Ensuring the very long-term unemployed are not left behind

Support for the very long-term unemployed

A sustained period of economic growth has seen the rate of unemployment trend downwards since the early 1990s. However, nearly 230,000 people on income support have been receiving employment services support for over two years.

The Government will provide \$233 million to help get the very long-term unemployed into jobs. This includes:

- \$95 million for six-month wage subsidies to reward employers who take on a very long-term unemployed person and help them re-engage with the workforce, with the subsidy set at the average rate of Newstart Allowance
- \$133 million for more intensive obligations for the very long-term unemployed, requiring people who have spent two years in employment services to participate in work experience for two days a week for 11 months a year. This will be supported by an additional \$1,000 credit per person to the Job Services Australia Employment Pathway Fund, boosting the resources available for this group
- \$5 million for a pilot to test innovative ways that employment services could be provided to support disadvantaged jobseekers.

Grant has not worked for two years, but he has been receiving support to find a job through Job Services Australia (JSA). In his second year of unemployment, he was required to undertake work experience activities for two days a week for half the year.

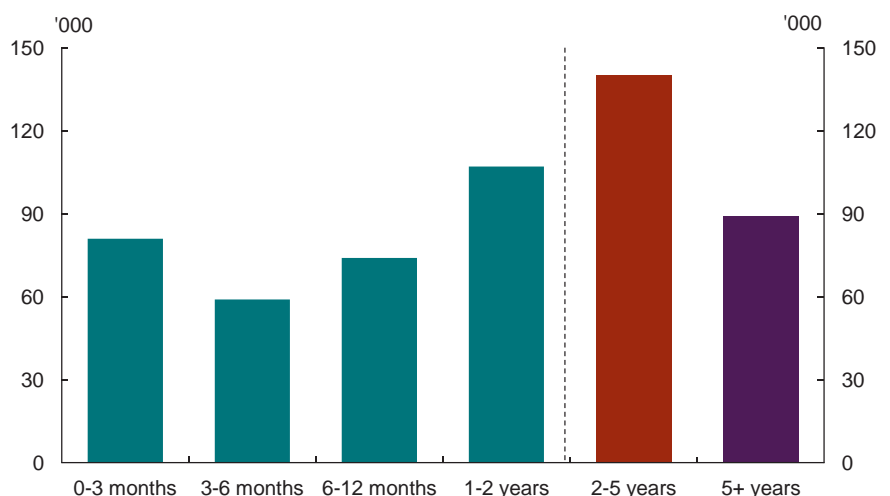
In the six months when Grant was not undertaking work experience activities his motivation and efforts to find a job diminished.

In his third year of unemployment, under the new obligations of the very long-term unemployed, Grant is required to participate in work experience activities for 11 months of the year instead of six months.

He is still required to undertake work experience activities two days per week, but the increased length of his requirement reinforces life and employment skills and increases Grant's motivation to find work.

Grant's JSA provider uses the new wage subsidy for the very long-term unemployed to encourage a local landscaping business to employ Grant.

Number of unemployment benefit recipients by duration of time on benefit



Source: Australian Government Administrative Data.
Note: Figures are rounded to the nearest thousand.

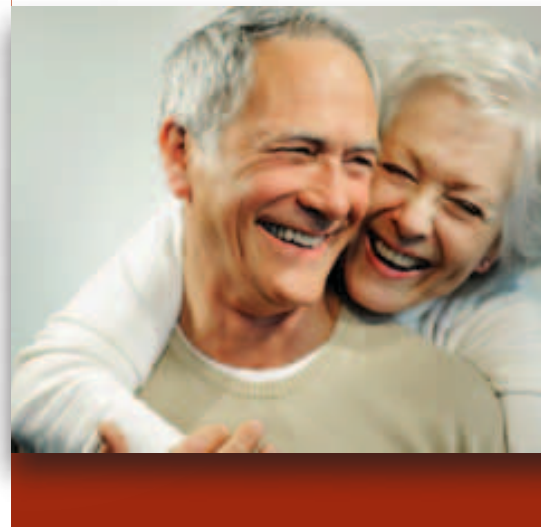
Harnessing the skills and experience of older Australians

Recognising the potential of older Australians

The Government recognises the contribution made by older Australians to the community and the workplace. That is why it has recently announced the establishment of an Advisory Panel on the Economic Potential of Senior Australians. The Panel will examine the benefits and opportunities that come with a larger and more active community of senior Australians. It will ensure that the potential of the older members in the community is considered in a range of policy debates.

The Panel will complement the work of the Consultative Forum on Mature Age Participation which will continue to focus on measures to promote workplace participation.

This Budget builds on the Government's \$43.3 million *Productive Ageing Package* and the \$93.7 million Work Bonus with a \$30 million More Help for Mature Age Workers initiative which aims to boost the skills levels and enhance the opportunities for older Australians.



From 1 July 2011, age pensioners will benefit from an improved Work Bonus which rewards older Australians who continue to participate in the workforce.

Age pensioners who work will be able to earn up to \$250 per fortnight above the income threshold before their pension is affected. Pensioners will be able to accrue a credit of any unused amount of the \$250 fortnightly exemption, capped at \$6,500 (twenty six fortnights multiplied by \$250).

This will provide an additional \$25 million to age pensioners in 2011-12.

Income exempt from the income test due to the Work Bonus



Source: Treasury.



A new approach in disadvantaged locations

Addressing geographical disadvantage

An intensive approach is needed in some communities to break the cycle of ongoing disadvantage. The Government will provide \$38 million to deliver integrated local services and a Local Solutions Fund for innovative projects that provide new services and models to boost engagement and participation in ten disadvantaged areas.

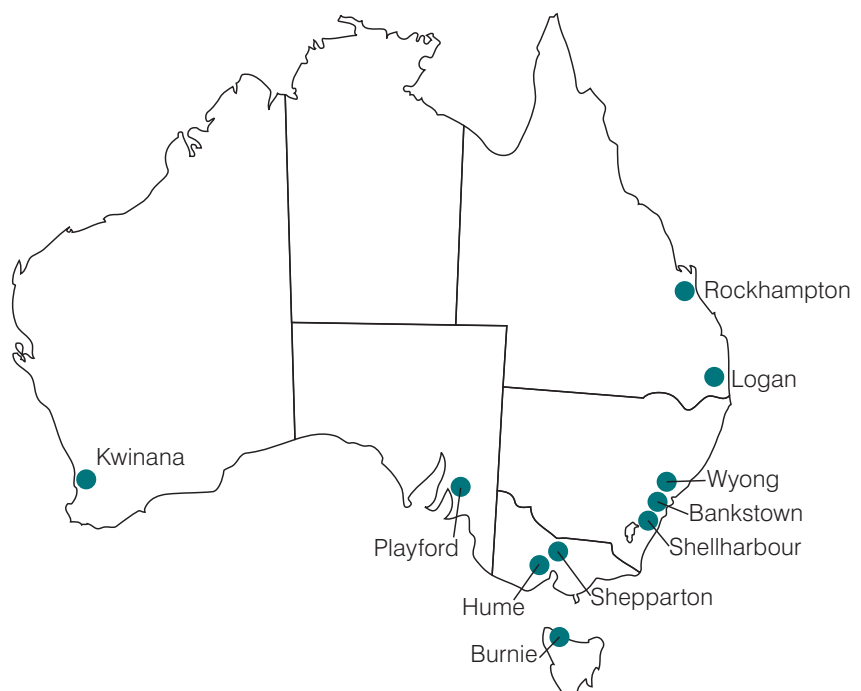
The Government will introduce new participation requirements matched with new services for jobless families and teenage parents, and a pilot to test innovative employment services for disadvantaged job seekers.

From 1 July 2012, income management will be extended to five new trial sites. Income management ensures income support payments are used for the benefit of children and to pay for essential items, helping recipients better manage their affairs and providing a solid foundation for increased participation. Income management will apply on the recommendation of child protection authorities, for people assessed as vulnerable, and on a voluntary basis.

The Government has identified 10 locations based on a range of factors including numbers of jobless families, youth unemployment rates, the level of income support dependence, and the length of time recipients have been on income support. These include:

- Playford (SA)
- Hume (Vic)
- Shepparton (Vic)
- Burnie (Tas)
- Bankstown (NSW)
- Wyong (NSW)
- Shellharbour (NSW)
- Rockhampton (Qld)
- Logan (Qld)
- Kwinana (WA)

Targeted initiatives in 10 disadvantaged locations (by local government area)



Tackling intergenerational disadvantage

New opportunities with new responsibilities

The Government is committed to ensuring every Australian gets the chance to improve their prospects and knows what is required of them.

Teenage parents

New participation plans will be introduced from 1 January 2012 for teenage parents so they finish Year 12, or equivalent, and participate in activities that support their child's development. These new plans will focus on improving job readiness for parents and meeting their child's development needs as they grow. The changes will be trialled and evaluated with a view to rolling them out further.

Jobless families

Jobless families with children under 6 years old will be required to attend compulsory workshops and interviews from 1 July 2012. The parents will have access to additional services to meet their plans like childcare, family support and training.

These groups will benefit from new case coordination provided by Centrelink as part of the Government's Service Delivery Reforms.



Centrelink data show that more than 80 per cent of teenage parents have not attained Year 12 or an equivalent.

OECD data from 2007 indicates that 14.8 per cent of Australian children were living in jobless families, well above the OECD average of 8.7 per cent.





Innovative regional support

Forty Keep Australia Working Jobs and Skills Expos were held between October 2009 and December 2010 in the 20 Priority Employment Areas.

These attracted over 154,000 attendees, 3,000 exhibitors and connecting over 15,500 job seekers with job opportunities.

Boosting employment opportunities in the regions

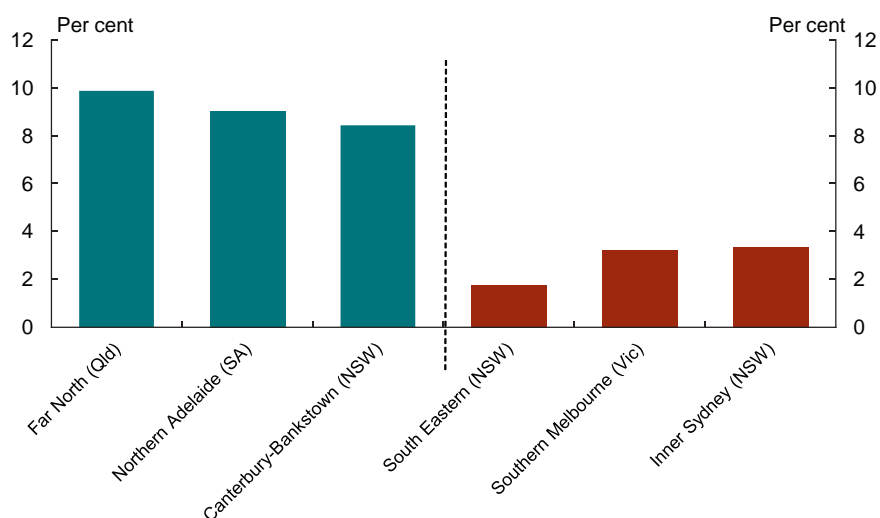
The patchwork economy means that there are some regions that are not doing as well, and need extra support to get people back into work.

In 2009, the Government announced it would assist 20 Priority Employment Areas through targeted strategies for supporting jobs at a regional and local level. These areas benefit from activities that respond to the needs of local labour markets and work across government, community and business to stimulate the local economy and generate new jobs.

The Government is providing \$45 million to extend these initiatives, including Local Employment Coordinators and Jobs and Skills Expos until 30 June 2013.

Funding of \$19 million over three years will also be provided to develop 34 regional education, skills and jobs plans. This will help identify the needs of the region, and will improve coordination of local employment initiatives.

Unemployment rates – highest and lowest unemployment regions (Labour force region, February 2011)



Source: Department of Education, Employment and Workplace Relations.
 Note: Chart excludes the Northern Territory.

A migration program to support our regions



The Government will increase the migration program by 16,300 places, to 185,000 places in 2011-12, with the increase aimed at attracting highly skilled migrants to live and work in regional areas. New initiatives include:

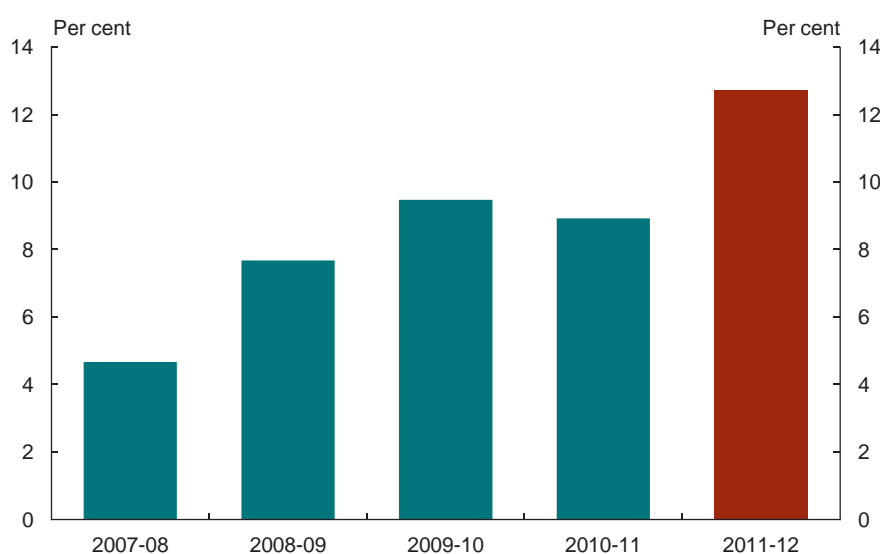
- Specifying, for the first time, 16,000 skilled migration places to the Regional Sponsored Migration Scheme and providing priority processing for regional visa categories
- Introducing Regional Migration Agreements that allow local authorities to negotiate and coordinate access to overseas labour for employers in the region
- Fast-tracking permanent residency for 457 visa holders who have spent two years in regional Australia and where their employer is continuing to sponsor them for a further two years.

The Government will also introduce Enterprise Migration Agreements (EMAs) to address genuine skill vacancies in major resource projects with capital expenditure greater than \$2 billion and a peak workforce of 1,500. Projects that utilise EMAs will be required to contribute to training Australian workers to address future skills needs in the resources sector.

The Government is introducing reforms to encourage migration to regional areas, ensuring the economy gets the skills it needs now, in the regions that need them most.

By directing a larger portion of migrants to the regions we can also help ease the pressure on busy suburban roads and transport routes in our major cities.

Regional Sponsored Migration Scheme as a percentage of the Skilled stream



Source: Department of Immigration and Citizenship.

Summary of key initiatives

	2010-11 \$ m	2011-12 \$ m	2012-13 \$ m	2013-14 \$ m	2014-15 \$ m	Total \$ m
SKILLS PACKAGE						
Placing industry at the heart of the training effort						
National Workforce Development Fund — establishment ^a	0.0	77.5	77.5	77.7	126.6	359.3
Productivity Education and Training Fund — establishment	0.0	10.0	10.0	0.0	0.0	20.1
National Workforce and Productivity Agency	0.0	0.0	8.5	8.3	8.3	25.0
Apprenticeships that work for more Australians						
Accelerated Australian Apprenticeships ^b	0.0	22.4	22.1	22.0	14.2	80.8
Apprenticeship Mentoring	0.0	31.8	29.6	20.0	20.0	101.4
Building Better Skills for Workforce Participation						
Improved access to the Language, Literacy, and Numeracy Program	0.0	10.2	23.0	47.2	62.8	143.1
Australian Apprentice Access Program — continuation of funding arrangements	0.0	0.0	6.5	6.6	6.7	19.7
Additional Workforce English Language and Literacy Program places	0.0	2.8	4.3	5.3	7.5	20.0
Training places for single and teenage parents	0.0	6.7	20.0	26.7	26.7	80.0
A modernised and revitalised VET system						
National Partnership for Vocational Education and Training ^c	0.0	0.0	238.4	238.4	238.4	715.1
WORKFORCE PARTICIPATION PACKAGE						
Improving incentives in the tax system						
Dependent Spouse Tax Offset — phase out	0.0	-60.0	-220.0	-230.0	-245.0	-755.0
Low Income Tax Offset — bring forward	0.0	1,370.0	-65.0	-25.0	-30.0	1,250.0
Helping more young people to earn or learn						
Changes to the eligibility criteria for Youth Allowance (Other) and Newstart Allowance	0.0	8.7	-46.5	-71.2	-75.0	-183.9
Transitional activities for early school leavers	0.0	1.2	36.0	17.8	12.6	67.6
Indigenous Youth Careers Pathways Program	0.0	0.0	0.0	0.0	0.0	0.0
Supporting families with teenagers	1.4	89.5	199.4	237.6	244.0	771.9
Rewarding and supporting parents to re-engage in work						
Incentives for single parents and Parenting Payment reforms	0.0	2.9	19.0	11.5	-6.8	26.7
Services to assist single parents enter the workforce	0.0	2.9	6.0	6.9	7.0	22.7
Training places for single and teenage parents (see measure in Building Better Skills for Workforce Participation)
More opportunity for people with disability						
Disability Support Pension — participation requirements	0.0	8.4	27.7	36.5	20.1	92.8
Disability Support Pension — allow all recipients to work up to 30 hours a week	0.0	0.8	6.7	1.4	-1.3	7.6
Wage subsidies for people with disability	0.0	0.0	4.0	3.6	3.6	11.3
Linking job seekers with a disability to national employers	0.0	0.0	0.0	0.0	0.0	0.0
Audit of Disability Support Pension new claim assessments	0.0	0.0	0.0	0.0	0.0	0.0
Implementation of more efficient and accurate assessments for Disability Support Pension	0.0	2.3	-18.3	-15.8	-17.9	-49.7
Ensuring the very long-term unemployed are not left behind						
Increased obligations for very long-term unemployed job seekers	0.0	1.0	67.5	33.0	31.7	133.3
Wage subsidy for the very long-term unemployed	0.0	13.1	26.6	27.2	27.8	94.6
Streamlining services for job seekers	0.0	15.3	7.8	6.2	6.1	35.3
Connection Interviews and Job Seeker Workshops	0.0	4.4	4.8	4.4	4.4	18.0
Harnessing the skills and experience of older Australians						
More help for mature age workers	0.0	10.0	10.0	10.0	0.0	30.0
A new approach in disadvantaged locations						
Compulsory participation plans and supports for teenage parents	0.0	13.8	10.6	11.3	11.6	47.3
Compulsory participation requirements for jobless families — targeted locations	0.0	13.0	19.2	19.2	19.8	71.1
Targeted locations — Income management and extension of the School Enrolment and Attendance Measure	0.0	19.8	26.3	25.7	26.2	98.0
Job Services Australia demonstration pilots for highly disadvantaged job seekers	0.0	1.8	2.3	0.6	0.0	4.7
Community Innovation through Collaboration	0.0	4.2	12.3	11.3	10.4	38.2
Priority Employment Area initiatives — extension	0.0	22.5	22.6	0.0	0.0	45.2
Indigenous Ranger Cadetships — pilot program	0.0	1.2	1.7	1.2	0.0	4.1
Regional Education, Skills and Jobs Plans	0.0	6.3	6.4	6.4	0.0	19.1
Improved services — Tailored support for job seekers	0.0	3.8	4.1	5.5	6.1	19.3
Other						
Evaluation	0.1	2.3	2.9	3.2	1.0	9.5
Information campaign	0.0	20.6	0.6	0.6	0.0	21.8

a. Funding from the Critical Skills Investment Fund brings this initiative to \$558 million over four years.

b. Funding from the Smarter Apprenticeships program brings this initiative to \$100 million over four years.

c. The National Partnership also includes funding of \$516.3 million in 2015-16 and 2016-17 to bring the total under the National Partnership to \$1.75 billion over five years.

