



Australian Government

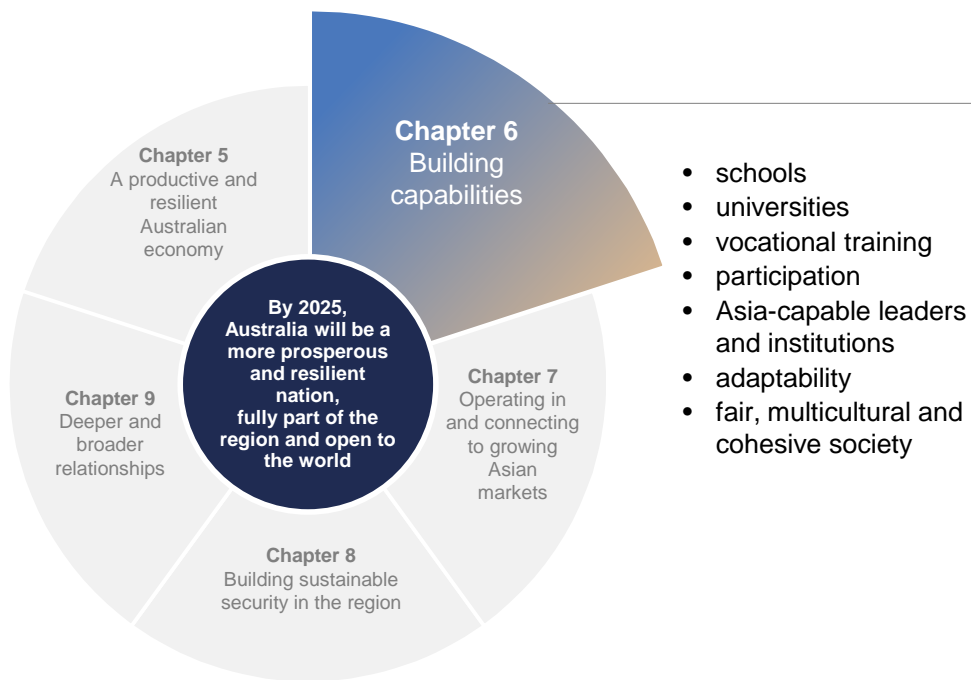
AUSTRALIA IN THE ASIAN CENTURY



White Paper
October 2012



Chapter 6: Building capabilities



Key points

Australia's future prosperity will be built on our strengths and capabilities.

Improving the capabilities of all Australians will raise our productivity performance and enable all Australians to participate and contribute in the Asian century.

Australians need to build 'Asia-relevant' capabilities—both broad-based and specialised.

Our skills and education systems play a fundamental role in ensuring that all Australians can develop the right capabilities.

We are improving the quality and accessibility of our skills and education systems, from early childhood through schools to tertiary education, to be among the world's best.

This requires a long-term effort by all governments, in partnership with business and communities.

Businesses, the public sector and national institution need to ensure they have the right mix of capabilities to seize the opportunities and make the most of Asia's rise.

We will work with our sectors and regions to help them adjust to change, take advantage of new opportunities and promote sustainable growth.

Australia's strong social foundations are the basis for our success in the Asian century, and we will continue to strengthen them.

6.1 Introduction

Central to Australia's future prosperity is lifting our productivity and participation by investing in our most important resource, our people. Improving the capabilities of all Australians will raise our productivity and enable all Australians to participate successfully, helping Australia seize the opportunities on offer in the Asian century.

Australia's education and training systems play a fundamental role in ensuring that all Australians have the right capabilities to take advantage of the Asian century.

Making sure we have world-class education is a central part of our strategy for economic success.

Australians need an evolving set of Asia-relevant capabilities that are both broad and specialised. Governments, businesses, institutions and individuals all have a role in building these capabilities.

Developing Australia's capabilities will require us, as Australians, to consider and in some instances to change the way that we do things, such as the way we educate ourselves, the way we do business and the way we operate our institutions.

These changes will continue to be based in Australia's strong foundations—our robust national institutions, our culturally diverse and outward-looking society and our strong economy—which are crucial to building these capabilities.

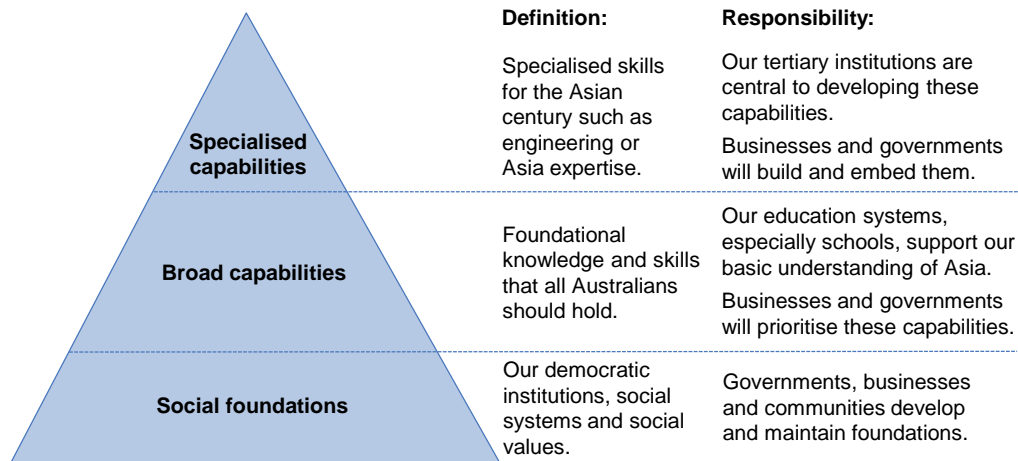
6.2 The capability of Australia's people and institutions

All Australians need the opportunity to develop broad-based Asia-relevant capabilities; some will go on to develop more specialised skills shaped by their individual choices and circumstances. Australia's education and training systems, from early childhood through schools and on to tertiary institutions, will be central to Australians developing these skills.

These Asia-relevant capabilities are critical—they are the fundamental skills and abilities that will drive Australia's economic and jobs growth in the years ahead. In addition to these real economic benefits, these capabilities will increase Australians' understanding of our region, preparing foundations for deeper and broader relationships and enriching our society and culture.

Asia-relevant capabilities include adaptability, flexibility, resilience, creative and design thinking and the confidence and readiness to interact with and operate in Asia (Figure 6.1).

Figure 6.1: Building capabilities for the Asian century



Some people will require more specialised Asia-relevant capabilities, including greater depth of expertise for specific jobs or technical requirements—such as high-level expertise for our scientists and innovators who will collaborate to problem-solve with colleagues from the region and our highly skilled engineers or legal experts who will work across regional borders.

Others will seek a more general understanding of the region. Asia and its many nations may be a conduit for new ideas, a source of new opportunities or a way to benchmark our achievements. For example, Australian teachers will exchange ideas and share resources on best teaching practices for subjects like science and maths. Sporting organisations and athletes will identify opportunities and develop partnerships by following the fast-changing sports environments in the region. And Australia’s tourism industry will benefit from investing time and resources into better understanding and catering to visitors from growing tourist markets such as India, China and Korea.

For business and government, Asia-relevant capabilities mean having the advisory, decision-making, cultural and representational skills to make informed decisions in an increasingly complex environment.

For the whole community, having a more broadly informed understanding of the region is both enriching and helps national engagement and deeper economic integration.

The role of schools

School reform

A world-class school system is essential to Australia's success in the Asian century. Improving the quality of all schools and lifting student achievement is critical for a fair and prosperous nation in which all students can grasp the opportunities ahead.

Education from early childhood through school is the foundation of a skilled workforce and a creative community. The higher a young person's literacy and numeracy skills, the more likely they are to continue at school, undertake tertiary study, and go on to high-skill, highly paid work. During the Asian century, the importance of education to Australia's economic performance will continue to grow. We can only remain a world-beating economy if we also deliver world-class education.

While many Australian schools currently perform well, as measured by PISA, Australia's results have fallen behind in recent years.¹ In particular, from 2000 to 2009, Australia experienced substantial declines in reading and mathematics performance matched by only three other OECD countries.² This decline appears to have occurred among all student groupings, although students from low socioeconomic backgrounds have the poorest educational outcomes (Gonski 2011; Nous Group et al. 2011).

Four of the five highest PISA performers are in our region (the Shanghai region of China, South Korea, Singapore and Hong Kong). The difference in performance is significant. For example, in Shanghai the average 15-year-old mathematics student is performing at a level two to three years, on average, above their age counterparts in Australia, the United States, the United Kingdom and EU21 countries (Jensen 2012).³

Information from My School and other international sources such as the OECD shows that the achievement gap linked to socioeconomic disadvantage is too great, and we must aim higher for every child in every school, particularly for poorer children and Indigenous children. By Year 3, 89 per cent of children from the poorest quarter of Australian homes are reading below average. By Year 9, the average child from the poorest quarter is two years behind children from the most well-off quarter of Australian homes in reading and maths. In very remote Australia, the average Indigenous child is still reading below a Year 3 level in Year 9.

1 Based on the most recent PISA survey, conducted in 2009. PISA is the OECD's Programme for International Student Assessment, which measures reading, mathematics and science literacy in a sample of 15-year-olds every three years.

2 The other three countries were Ireland, Sweden and the Czech Republic.

3 These are the 21 OECD countries that are members of the European Union and for which data is available or can be estimated: Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, Slovenia, the Slovak Republic, Spain, Sweden and the United Kingdom.

Currently, Australia is ranked 7th on Reading and Science, 13th on Mathematics and about 10th on providing a high-quality and high-equity education system.

Therefore, to achieve the level of educational performance needed in this century, the Government has set challenging national objectives.

National objective

9. To build the capabilities of Australian students, Australia's school system will be in the top five schooling systems in the world, delivering excellent outcomes for all students of all backgrounds, and systematically improving performance over time.

- By 2025, Australia will be ranked as a top five country in the world for the performance of our students in reading, science and mathematics literacy and for providing our children with a high-quality and high-equity education system.
- By 2015, 90 per cent of young Australians aged 20 to 24 years will have a Year 12 or equivalent qualification, up from 86 per cent in 2010.

While challenging, these objectives are within our reach—if governments, non-government education authorities, schools and their communities work together in the right ways, improvement will happen.

Australia has already begun delivering national reforms to improve the quality of schooling which are making a positive difference, including developing the Australian Curriculum, providing unprecedented levels of information on schools and their performance through the My School website, new professional standards for teachers and a stronger focus on effective teaching. These changes have lifted school performance in many places. For example, Currambine Primary School in Western Australia, with support from targeted Australian Government funding, saw a strong increase in the percentage of students in Year 5 performing above the national minimum standard for numeracy between 2008 and 2011—from 70 per cent to 93 per cent. Over the same period, literacy results for Year 3 and Year 5 students have also improved with performance above the national minimum standards in areas such as grammar and reading increasing by 10 to 15 per cent.⁴

To continue this improvement and achieve our national objective by 2025, we will legislate and deliver the National Plan for School Improvement, in partnership with States and Territories and non-government school authorities. The Plan will set out the reforms and actions that we need to improve performance and ensure that additional school funding is used to get better student results. That means focusing our actions in the areas where evidence shows the greatest difference can be made: improving the quality of teaching, delivering a high-quality curriculum, empowering principals to deliver school improvement and building strong partnerships with parents and communities.

⁴ Based on changes in NAPLAN Outcomes from 2008 to 2011.

Recent improvements in the performance of schools in the Asian region, and beyond, should be a source of learning for Australia. Australia has its own unique schooling system and not every approach would work here. But our schools can, and should, adapt the lessons of school systems in our region to drive improvements here at home, and to share our own successes with them (Jensen, 2012).

Every Australian child has the right to a world-class education, no matter where they live, the school they attend or their family background. The Australian Government is committed to a National Plan for School Improvement and funding Australian schools in a way that reflects the needs of each individual child. This will help every student get a great education and secure a good job when they leave school. It will help our economy stay strong.

Under this Plan, every child's education will be supported with a benchmark amount of funding through a new Schooling Resource Standard based on what it costs to educate a student at the schools we know already get strong results. Extra needs will be met through a system of 'loadings'—extra funding, per student, to help students from low socioeconomic backgrounds, Indigenous students, students with a disability and students with limited English skills, and to help with extra costs for small and remote schools. The loadings will be fully publicly funded at all schools, so that every student who needs more help will get it.

Under the National Plan for the School Improvement, every Australian school will have the money it needs to do a great job. Government schools will continue to be fully publicly funded. Like the current system, the public money provided to non-government schools would be adjusted based on parents' capacity to contribute to school resources.

The National Plan for School Improvement will be based on evidence of what we know works to improve results for children in every school in Australia.

The new requirements under the National Plan will deliver practical improvements to lift teacher quality, including requiring more classroom experience before graduation and higher entry requirements for the teaching profession.

Teachers will be of the highest calibre, and will have received the best training and support as new teachers. They will be continuously honing their skills and receiving structured feedback and support to help measure their skills and highlight areas to focus effort on. Every school will have a school improvement plan outlining the steps they will take to improve student results. These plans will be developed in consultation with parents and the community. Every school will look at its results each year and plan where and how it will do better.

More information about school finances, attendance, and teachers will be provided on My School. Schools will need to provide more information to parents to help them support their child's education.

Principals will be empowered to lead their schools, making decisions that get improvements unencumbered by bureaucracy. Under the Plan, school principals will get more authority over staff selection and budgets—including in staffing, maintenance and buying extra resources the school needs.

All schools will implement the Australian Curriculum in all subjects—meaning every student in Australia studies, and is assessed against, the same high-quality curriculum.

Schools will form strong partnerships with parents and the local community to work with students with disruptive behaviour or who are under-performing. Every school will need to include details on how they will work with parents on student behaviour, as part of their overall annual School Improvement Plan.

High performing schools will share their strategies for success with others. All principals will have information about best practice in driving school improvements, including innovative ideas from our best performing schools around the country.

Through this long-term approach to improving school performance, Australia can continue to build the capabilities that will underpin our success in the Asian century.

Asia-literacy in schools

As our schools improve, knowledge and understanding of Asia also needs to be a core part of what our students learn. Governments have laid down the foundations for this, especially through the Australian Curriculum. But we need to produce a step change in the understanding of Asia and the acquisition of Asia-relevant capabilities.

The building blocks to develop knowledge of the history, cultures, societies and languages of nations in Asia are laid at school. The diversity of Australia's population, which includes a large number of Australians born in Asia or of Asian descent, and the growing number of Australians who holiday in the region, provide some community understanding of the region. However, only a small proportion of Year 12 students study anything about Asia in the subjects of history, literature, geography, economics, politics and the arts under existing State-based curriculums (AEF 2012).

There have been various national and state education-based initiatives in recent decades to increase studies of Asia and language learning in schools (Box 6.1).⁵ These programs have had limited, localised success, but have not produced a significant cohort of young Australians completing secondary education with deep knowledge of our region or high levels of proficiency in Asian languages.

Most students in most highly developed education systems around the world are proficient in more than one language by the time they finish school, and many are proficient in three (AEF 2012). Many Asian school systems teach English, and some, such as Malaysia's and Singapore's, also teach other Asian languages. Countries in Europe and North America are also increasing their teaching of Asian languages. For example, Sweden has recently announced that Chinese (Mandarin) will be taught in all Swedish schools by 2020 (AEF 2012).

5 The National Asian Languages and Studies in Australian Schools (1995–2002) and the National Asian Languages and Studies in Schools Program (2009–2012).

Box 6.1: Asian languages in schools

States' and Territories' policies on teaching foreign languages differ as to whether or not a minimum number of minutes a week or hours a year are required, and what that number might be. This creates significant differences in student experience across States.

Several States have set up hubs and specialist schools, supported by start-up funding from the Australian Government. For example, Queensland has established 28 Asian learning centres in strategically located secondary schools. Each centre is a school of excellence for a particular Asian language. Western Australia has 24 hubs (107 schools), some of which are developing partnerships with schools and universities in China, Indonesia and Japan. South Australia is developing new pathways from different stages of education for languages. Tasmania has established a network of 'Connected Language Centres' that use new technologies to help language learning and professional development for teachers.

Several States, such as New South Wales, are negotiating with universities to ensure that teachers who wish to retrain as language teachers are given priority in the allocation of Commonwealth supported places and access to HECS-HELP, while the Australian Capital Territory conducts an Asian language teacher training program with an in-country immersion course. New online syllabus documents have been developed in Indonesian, Japanese and Chinese for primary and middle schools in the Northern Territory.

Some States are also looking beyond language programs. Victoria has launched the Leading 21st Century Schools Victoria: Engage with Asia program—a principal-led project to build a sustainable approach to developing knowledge of Asia and Australia's engagement with Asia across the curriculum.

By contrast the share of Australian students studying languages, including many Asian languages, is small and has fallen in recent times. Between 2000 and 2008, the share of Australian students learning a tertiary accredited language other than English in Year 12 dropped in a time where overall student numbers increased by almost 9 per cent. In 2008, less than 6 per cent of Australian school students studied Indonesian, Japanese, Korean or Chinese (Mandarin) in Year 12 (AEF 2012, MCEETYA 2008). Fewer Year 12 students studied Indonesian in 2009 than in 1972 (Hill 2012). And, while Japanese remains the most widely taught language in Australian schools, student numbers fell by 16 per cent from 2000 to 2008 (de Kretser & Spence-Brown 2010).

In recognising the need to build a sound knowledge of Asia in schools, the 'Asia and Australia's engagement in Asia' cross-curriculum priority will be embedded in the Australian Curriculum. The languages component of the Australian Curriculum will enable all students to learn a language other than English—a curriculum for Chinese (Mandarin) is one of the first in development.

We provide funding to the Asia Education Foundation to support the implementation of the 'Asia and Australia's engagement in Asia' cross-curriculum priority. The Foundation works with others, such as the Australian Institute for Teaching and School Leadership, to help build teachers' capacity to develop Asia-relevant capabilities for Australian students, and with Education Services Australia to develop digital resources and online professional support for teachers, including for implementing the Asia cross-curriculum priority and teaching Asian languages (Box 6.2).

While these initiatives are steps in the right direction, there is more to be done. Learning about Asia should be business-as-usual for every Australian school and every Australian student.

Box 6.2: Leongatha Primary School—connecting with Indonesia

Over 250 schools and more than 400 teachers across Australia, China, Indonesia and South Korea are involved in Australia–Asia BRIDGE School Partnerships,⁶ managed by the Asia Education Foundation and supported by the Australian Government. Teachers and students in Thailand will soon be involved.

The partnerships develop students' intercultural capabilities through a mix of language and cultural studies based on people-to-people exchanges and online collaboration.

For one school in particular, 'the BRIDGE project was an ideal opportunity to involve the school with Indonesia. We wanted to go beyond the walls of the school, beyond our area, and indeed beyond Australia.'

Irene Beasley is the only teacher of Indonesian at Leongatha Primary School in Gippsland, in the heart of Victorian dairying country. Leongatha Primary is partnered with SD Pondok Labu 11, a school in the bustling 10 million-strong metropolis of Jakarta. The two schools connect classes through Skype. This enables the children to have authentic, real-time, face-to-face conversations. 'We try to speak Indonesian at our end and they speak English,' Irene said. The students investigate and use a range of Web 2.0 technologies to exchange their ideas, interests and information about their country and culture. These exchanges have led to regular teacher exchanges, and in 2012, to the first student exchanges.

She reflected on the genuine engagement fostered between her students and their counterparts in Jakarta. 'We've moved from being an isolated school to being part of the wider global community, and that's really important for the 21st century.'

The BRIDGE program demonstrates the potential of technology to enable innovative learning strategies that overcome barriers and borders, creating a truly global classroom.

⁶ The BRIDGE program began in 2008 as an initiative of the Asia Education Foundation and the Australia–Indonesia Institute, with funding from the Australian Government and the Myer Foundation.

The capacity for Australians to build deeper ties with Asia will be hampered if there is not an increase in proficiency of languages other than English. Relying on the language capabilities of Asian-Australians for all of Australia's relationships and engagement will not be adequate. Proficiency in more than one language is a basic skill of the 21st century.

National objectives

10. Every Australian student will have significant exposure to studies of Asia across the curriculum to increase their cultural knowledge and skills and enable them to be active in the region.

- All schools will engage with at least one school in Asia to support the teaching of a priority Asian language, including through increased use of the National Broadband Network.

11. All Australian students will have the opportunity, and be encouraged, to undertake a continuous course of study in an Asian language throughout their years of schooling.

- All students will have access to at least one priority Asian language; these will be Chinese (Mandarin), Hindi, Indonesian and Japanese.

Each of these goals will be achieved, over time, by ensuring Asian literacy and languages are a core part of the Australian school system through full implementation of the Australian Curriculum. Every school system and every government in Australia has a stake in achieving these goals. To ensure we track how we are increasing Australians' knowledge of Asia, we will improve measurement, in consultation with States and Territories and non-government education authorities.

We aim to embed these goals by making sure that every Australian student has continuous access to high-quality Asian language curriculums, assessment and reporting in priority Asian languages. We are working to make this access a core requirement through new school funding arrangements between the Australian Government, the States and Territories and non-government education authorities.

We will also lead a collaborative process with the State and Territory governments, non-government education authorities and tertiary education institutions to develop detailed strategies for studies of Asia to become a core part of school education and to encourage the take-up of Asian languages through innovation and best practice. These strategies will include ways in which the NBN can be used to support studies of Asia.

Initial efforts should include a particular focus on working with business, the university sector and the community to boost student demand by increasing understanding of the benefits of studies of Asia, including Asian languages, among students, principals, parents, businesses, employers and the community. For example, the Asia Literacy Business Ambassadors initiative involves almost 300 ambassadors.

These ambassadors demonstrate to more than 13,000 secondary school students around Australia how Asia-literacy skills have assisted their careers.

While priority languages in school education should be Chinese (Mandarin), Hindi, Indonesian and Japanese, governments should continue to support efforts to increase the study of other languages such as Korean, Vietnamese and Thai. The selection of priority languages reflects those nations where the majority of opportunities will be available to Australians in the Asian century (chapters 2, 4 and 9).

Other efforts to support high-quality studies of Asia will need to focus on the quality of teaching. Strategies should also make better use of existing Asian language capabilities in the Australian community (AFMLTA 2012).

Achieving significant gains in the level of Asian literacy and Asian language skills of Australian students will require governments, school systems and schools to share responsibility for ongoing leadership and commitment.

The role of tertiary education and training systems

Reform of the higher education sector

Australia has a world-class university system. In 2012, after the United States and the United Kingdom, Australia has the third-highest number of universities in the world's top 100 (ARWU 2012).⁷ We are committed to reforms to deliver the best possible higher education for more Australians to meet Australia's future economic needs.

National objective

12. Australia will remain among the world's best for research and teaching in universities, delivering excellent outcomes for a larger number of Australian students, attracting the best academics and students from around the world and strengthening links between Australia and the region.

- By 2020, 20 per cent of undergraduate higher education enrolments will be people from low socioeconomic backgrounds, up from 17 per cent in 2011.
- By 2025, 40 per cent of all 25 to 34-year-olds will hold a qualification at bachelor level or above, up from 35 per cent in 2011.
- By 2025, 10 of Australia's universities will be in the world's top 100.
- A larger number of Australian university students will be studying overseas and a greater proportion will be undertaking part of their degree in Asia.

⁷ The 2012 Academic Ranking of World Universities placed five Australian universities in the top 100.

We will continue to implement and pursue reforms to achieve these goals. For example, the recently introduced demand-driven funding system for undergraduate courses at public universities means that the type and amount of teaching will vary over time in response to need and demand. The Government has created an extra 119,000 student places since 2007. This is allowing an extra 150,000 students to study. An estimated 548,000 places will be funded at public universities in 2012, with 512,000 being undergraduate places.

At the same time, we are committed to improving quality. We will work with the higher education sector to improve the reach, quality, performance and flexibility of Australia's higher education system. This includes establishing the Tertiary Education Quality and Standards Agency and equity and structural adjustment funding arrangements.

The higher education sector contributes significantly to building Australian capabilities. For more than 60 years, Australia's universities have also built capabilities in students from Asia. In 2011, there were more than 550,000 international student enrolments (77 per cent from within the Asian region) in Australian education institutions. They contributed more than \$15 billion to the Australian economy in 2011, making education Australia's fourth-largest export (AEI 2011; DFAT 2012; Austrade 2011). More than this, international students in Australia enrich our social and cultural understanding of the region and deepen and broaden relationships. These connections have enduring value.

The International Education Advisory Council, established in 2011, will continue to advise us about the challenges and opportunities facing Australia's international education sector. The advice of the Council, which includes input from providers and students, will help to inform the development of a national strategy to strengthen the sector, in particular looking at its long-term quality and sustainability.

High-quality research is an important part of Australia's world-class university system. We are committed to supporting and expanding Australia's research capabilities to improve Australia's knowledge and skills base and to drive innovation. Our agenda includes actions to increase significantly the number of Australia's higher degrees by research and efforts that focus on supporting business innovation. Getting the link between research and innovation right will be critical for Australia's success in the Asian century.

Our researchers and institutions will also increasingly need to link with their regional counterparts. Countries in the region are focused on making rapid improvement to their universities, and investment in the capacity of Asian institutions to conduct sophisticated research is increasing quickly (Levin 2010). Australian universities are already increasingly engaged in research, collaboration and engagement in the region, with substantial success; for example, the University of Sydney's level of research collaboration with Asian academics resulting in publications has almost trebled in eight years (University of Sydney 2012).

Stepping up these kinds of efforts will ensure that Australia contributes to, and benefits from, regional and global research. We will continue to support, through the Australian Research Council and other mechanisms, high-quality research by Australian publicly funded research organisations and stronger research and teaching links with the region.

Asia specialists in the higher education sector

Australian universities have a strong reputation for knowledge and scholarship about Asia. But the share of tertiary students undertaking language studies has declined over the last decade for some priority Asian languages. For example, from 2001 to 2010, university enrolments in Indonesian dropped by 37 per cent, against a 40 per cent increase in total undergraduate enrolments (Hill 2012).

In other priority languages, such as Chinese (Mandarin), there have been some positive gains in student enrolments. These largely reflect the growing number of Australians of Chinese background and students from China studying in Australia (McLaren 2011). While these gains are important, they have been accompanied by a stagnation or decrease in the proportion of students from non-Chinese backgrounds learning Chinese (Mandarin). This highlights the importance of flexible teaching methodologies and pathways that cater to students' varied learning backgrounds.

In response to the need to build a broader base of students for the future, many universities are initiating structural changes to increase support for students to develop Asia-relevant capabilities (Box 6.3). Some have recently increased language studies by making curriculum changes and introducing new interdisciplinary course structures. For example, since 2007 the University of Melbourne has required undergraduate students to complete a major and undertake study outside their primary discipline. This has significantly increased the take up of Asian languages—a 79 per cent increase in Chinese, 64 per cent increase in Japanese and 33 per cent in Indonesian (University of Melbourne 2012). Similarly, the University of Western Australia has promoted new course structures for language learning, and in 2012 enrolments increased so dramatically that in some cases demand exceeded teaching supply (UWA 2012b).

Together with universities, we support in-Asia study by Australian students as a way of developing Asia-relevant capabilities, regardless of the field of study. In-country study allows students to experience another culture, develop skills and directly build relationships that are likely to last a lifetime (Chapter 9).

One successful model for in-country learning is the Australian Consortium for In-Country Indonesian Studies. This international consortium, which involves 25 universities, is hosted by Murdoch University and assists Australian and other foreign students to study in Indonesian universities (ACICIS 2012).

To significantly boost in-Asia study by Australian students, we will work with universities to forge closer links with regional institutions and improve access (Box 6.3).

Box 6.3: Universities are preparing Australia for the Asian century

Australia's universities have earned international recognition for their knowledge and scholarship about Asia. That expertise extends across the country, from the University of Sydney's China Studies Centre to the new Brisbane Universities Language Alliance. Universities also reach out beyond the campus and develop partnerships with the community. For example, Asialink, supported by the University of Melbourne and the Myer Foundation, has worked with business, government, philanthropic and cultural partners to initiate and strengthen Australia's Asia engagement.

The Australian Government created the Australian National University (ANU) with a large and special Asia-focused mandate after World War II. The ANU has committed to bringing its considerable Asian research and studies assets to the task of building capabilities for the Asian century.

Some of the immediate initiatives that are part of this are:

- expanding its suite of in-country study options and making the facility available to students from other universities
- expanding national access to Asian languages through online delivery of a new Diploma of Asian Languages, and extending its Asian Studies teacher training and outreach program for schools
- developing the National Young Leaders Program to bring together young leaders from Australia and the region, and expanding its National Parliamentary Internships Program, which will place students into the personal offices of leading legislators in Asia
- developing the Commonwealth-sponsored national Public Policy Fellows Program, to bring high-calibre officials from Asian countries to the ANU for intensive periods of research and engagement on major policy problems.

We will provide more financial support and information for students who study in Asia. And we will support universities to increase the number of students who undertake Asian studies and Asian languages as a part of their university education, using the NBN and digital technology.

In addition, we will encourage every Australian university to have a presence in Asia and to establish an exchange arrangement, with transferable credits, with at least one major Asian university.

Following the 2012 APEC Summit in Vladivostok, APEC members agreed to examine ways to better facilitate mobility of students, researchers and education providers in the region, providing opportunities to enhance educational cooperation within the region.

Australian universities will also need to form partnerships with business and other institutions in the community to enable all parts of Australia to build Asia-capable communities and workforces.

Reform of the vocational education and training system

Australia's national vocational education and training system is important for providing more people in Australia with the skills they need, including developing Asia-relevant capabilities (Box 6.4).

National objective

13. Australia will have vocational education and training systems that are among the world's best, building capability in the region and supporting a highly skilled Australian workforce able to continuously develop its capabilities.

- By 2020, more than three-quarters of working-age Australians will have an entry-level qualification (at Certificate III level or higher), up from just under half in 2009.
- Australia's vocational education and training institutions will have substantially expanded services in more nations in the region, building the productive capacity of the workforce of these nations and supporting Australian businesses and workers to have a greater presence in Asian markets.

We are pursuing these objectives together with the States and Territories through the \$1.75 billion Council of Australian Governments' National Partnership Agreement on Skills Reform, which makes a number of fundamental changes to ensure more Australians receive higher quality, innovative vocational education and training, such as delivering an entitlement to skills training for all. Supporting reforms include initiatives to improve the quality of teaching and assessment; the Australian Skills Quality Authority, which will ensure higher quality standards across the sector; and better information on training courses and providers through the My Skills website.

Governments and industry need to continue to work together to address Australia's changing skills needs. The new Australian Workforce and Productivity Agency will improve long-term workforce planning and development. It will ensure our investment in training delivers the skills that industry and the economy need, in the right place at the right time.

Box 6.4: A traineeship helped take Daniel from Illawarra to China

Daniel Taylor was named the 2010 Trainee of the Year in the Illawarra region and was a finalist for the 2010 NSW Trainee of the Year Award. During his traineeship in Process Manufacturing Certificate III, Daniel was employed by Edmen Recruitment. His host employer was Calderys Australia, a refractory business in Unanderra, where he is now permanently employed.

Daniel was promoted to production supervisor in 2009 and manages site staff, production issues and goods logistics. Calderys was so impressed by Daniel's dedication that they flew him to a sister plant in China last year for quality control training using state-of-the-art equipment. Daniel says, 'This was an amazing experience, to learn about a new culture, and see the differences in the way they work.'

Daniel hopes that with his willingness to continue learning and his dedication so far, he will in the future be able to relocate to one of the company's overseas sites to learn about other applications and work processes.

Source: NSW Government (2012).

Vocational education and training connections in the region

Asia's rise is presenting opportunities for Australia's vocational education and training institutions to develop deeper connections and partnerships in the region.

As economies in Asia develop, many have ambitious plans to upgrade the skills of their workforces. Australian vocational education and training providers are already working in Asia with local students and partners to deliver skills training. The majority of programs are currently in China, though expanding across the region, and often deliver Australian qualifications (Box 6.5).

Together with firms and Australian industry partners, we will be working through regional forums and bilaterally to build in-country partnerships and to develop complementary skills and qualification assessment and recognition. This will allow businesses and individuals to work across regional borders, sharing skills and experience within the strong oversight that exists across Australia's skilled migration programs.

For example, through the East Asia Summit, Australia is collaborating with South Korea to build a Regional Network of Technical and Vocational Education and Training providers. The aim is to exchange ideas, share knowledge and expertise and form institutional partnerships (DIIS RTE 2012).

Stronger connections and relationships between Australian Industry Skills Councils and Australian industry and their counterparts in the region will progress compatible skills standards and build mutual recognition arrangements which will over time make it easier to work across borders.

Box 6.5: India—investing in human capital

The Indian Government has set an objective of upskilling 500 million people in India by 2022. India has sought international partnerships to help it reach the goal, including by creating a regulatory environment that enables international institutions to participate in public–private partnerships.

The Australian Trade Commission (Austrade) and Australian industry are working together to implement a range of offshore education and training models with Indian counterparts. Examples of collaboration include in-company training, the provision of vocational education and training courses in specific towns and regions, and the delivery of Australian qualifications in a range of industries, including retail, hospitality, education and health.

Through such efforts, Australia is advising on skills development and policy frameworks, training content aligned to industry needs, faculty, certification, accreditation, technology frameworks, delivery mechanisms and monitoring tools.

One Australian company group doing this is the Leighton Group, which is one of the world's leading contracting, services and project development organisations. In 2010, after seeing a gap in the capabilities of Indian recruits, Leighton set up a trades training school to arm new recruits with basic Australian qualifications (Certificate I) in construction trades, such as carpentry, masonry and scaffolding. Leighton is building Indian capacity while improving its own quality of work and the value of Australian qualifications (AEI 2011).

Participation

Access to education and training systems that are among the world's best will give each Australian the best opportunity to develop the capabilities needed to get highly skilled, well-paid jobs and contribute to Australia's success in the Asian century. This applies to all Australians, from our children who are developing capabilities for the first time, to our already skilled Australians who wish to extend their capabilities.

Learning new capabilities and improving existing capabilities is vital as jobs in coming decades will likely require new and different skills—new jobs will be created which do not exist today, and more traditional jobs will require Australians to have new capabilities.

Increasing participation will help Australia adjust to the likely pressures of an ageing population (Chapter 4). Many of our reforms to the tax and transfer system are designed to reduce the negative participation incentives created by the interaction of personal income taxes and the withdrawal of transfer payments, and ensure a fair return for effort, such as the trebling of the statutory tax-free threshold from \$6,000 to \$18,200 (Chapter 5).

It is important to effectively support job seekers to re-enter the workforce. Job Services Australia is the national employment services system which has been a key part of our employment record. It provides jobseekers with personalised help to find and keep a job. We are investing \$6 billion in Job Services Australia over the next four

years. And we have also introduced Disability Employment Services, which will deliver more effective employment assistance for job seekers with disability.

For those who face specific barriers to participating in the workforce, changes have been made which boost support to help those individuals overcome these barriers. These changes sit alongside clearly defined responsibilities to participate in work and improve skills. Some examples of this include specific support and requirements for jobless families, in particular disadvantaged communities to help them break the cycle of joblessness, and additional attention and support from government service providers for vulnerable job seekers. And we are working to ensure that carers have the same opportunities as other Australians to participate fully in work through the National Carer Strategy.

Assistance to access affordable and high-quality child care is important to the workforce participation of parents, and also plays an important role in supporting the development of children, particularly those from disadvantaged backgrounds. We have improved the affordability of child care for parents by significantly increasing the rate of Child Care Rebate from 30 to 50 per cent, and boosted funding for Jobs, Education and Training Child Care Fee Assistance.

Australia's employment policies need to provide the appropriate incentives to encourage mature age Australians to continue contributing to the community and the economy. To provide this support and encouragement, we have been delivering a range of reforms to maximise the workforce potential of senior Australians.

We announced a \$41 million response to the final report of the Advisory Panel on the Economic Potential of Senior Australians. This includes the establishment of an ongoing Advisory Panel on Positive Ageing that will raise awareness and lead a national dialogue on ageing issues, including how best to harness the economic and social opportunities presented by an older population.

And we are investing \$26 million over four years in the Mature Age Participation–Job Seeker Assistance Program to provide additional assistance for eligible mature age jobseekers and providing additional support through the National Workforce Development Fund to improve the skills of mature age workers, aged 50 years and over, consistent with their workforce development needs.

Business capabilities

Just as people will need to build their capabilities, so too will businesses to succeed in the Asian century. Businesses are increasingly outward-looking, innovative and capable of adapting and responding to change. More will require cultural and language skills to collaborate and partner in the region. They will need more staff who are flexible and responsive to customer needs. This applies to business of all types, from small and medium-sized enterprises right through to larger corporations, and across the breadth of sectors.

The productivity and profitability of firms are closely correlated with the culture of the workplace, the corporate leadership style and the way work is organised,

including employee-level participation in decision-making, strategy and skills utilisation (Boedker et al. 2011).

Some businesses are adapting well to the opportunities presented by the Asian century. For example, many businesses in the trade-exposed manufacturing and services sectors are re-evaluating their business models. Some firms are finding ways to adapt by anticipating changes in their markets, managing their exposure to risk, building the talents of their people and constantly improving their productivity. More businesses will need to adapt if Australia is to make the most of the opportunities in the Asian century.

Indeed, while Australia generally rates above average in international comparative studies of management practices, there is always scope to improve. For example, a 20-country comparison of medium to large manufacturing companies found that Australia's management practices in an overall management assessment⁸ ranked below those of other countries such as Canada, Germany, Japan, Sweden and the United States (Bloom et al. 2012).

To support the development of high-performing organisations, we are committed to getting the domestic economic framework right by improving settings for infrastructure, innovation, tax and employment (Chapter 5). We have a number of supporting mechanisms directed at improving business capability and performance to improve access to markets in the region (Chapter 7).

Asia-capable workplaces

Organisations that are successful in the Asian century will need staff who have specific knowledge of the products and markets of Asia, along with the cultural and language capabilities needed to be active in the region. International evidence connects language capabilities with export success, and shows losses where companies lack skills to overcome language and cultural differences (Sen 2012).

National objective

14. Decision makers in Australian businesses, parliaments, national institutions (including the Australian Public Service and national cultural institutions) and advisory forums across the community will have deeper knowledge and expertise of countries in our region and have a greater capacity to integrate domestic and international issues.

- One-third of board members of Australia's top 200 publicly listed companies and Commonwealth bodies (including companies, authorities, agencies and commissions) will have deep experience in and knowledge of Asia.
- One-third of the senior leadership of the Australian Public Service (APS 200) will have deep experience in and knowledge of Asia.

⁸ The overall management assessment was based on three elements: monitoring management, targets management and incentives management.

Business recognises the need for these capabilities. Asialink, a body that includes senior business, industry and education leaders, has called for Australia to increase the number of workplaces that can attract, use and retain Asia-capable talent—people who have the ‘knowledge, skills and mindset’ for successful engagement in Asia (Asialink 2012). This is supported by survey data that shows a strong correlation between Asia-relevant capabilities and business success in and with Asia. And this data suggests that a large share of businesses consider that they do not have enough leaders with the experience needed to engage with Asia adequately (Asialink 2012).

Businesses are taking action, and some are already well advanced, but more needs to be done (Box 6.6). Asialink’s Asia Capable Workplace Taskforce (Asialink Taskforce) is driving the development of a strategy to increase the Asia capabilities of the Australian workforce. The Asialink Taskforce is developing measures of Asia capabilities through the Asia Capable Workplace Framework. There are six elements in this framework: strong leaderships and vision, talent development and retention, productive local partnerships, aligned internal culture, knowledge of the local environment, and supportive systems and processes (Asialink 2012). The breadth of the framework recognises that business success in the region will not be solved by acquiring a single generic ‘Asia-relevant capability’, but by each business assessing its circumstances and tailoring capabilities accordingly.

As a step towards this goal, we encourage listed company boards to include more business people with direct expertise from within the region. And we ask the Australian Institute of Company Directors to consider integrating Asian cultural competency training into its company directors training courses. In addition, to track the rise in Asia-relevant capabilities, we encourage leading peak business organisations to report annually on progress against this goal. One mechanism could be by cooperating with the ASX Corporate Governance Council to incorporate into its principles and recommendations reporting on business practices and processes to promote relevant Asian expertise and knowledge.

Australia’s institutions and organisations, such as the labour movement organisations and civil society organisations, can also play a role building Asia-relevant capabilities and deepening our connections into the region. It will be important for the leaders of these organisations to enhance their own capabilities so they can understand the changes and the responses required to allow Australian workers to benefit from the opportunities which flow from the Asian century. For example, Australia’s trade union organisations can facilitate this through greater regional expertise and building stronger partnerships in the region.

Box 6.6: ANZ—building a ‘super regional’ bank

ANZ is pursuing a strategy to build a ‘super regional’ bank by growing its business across Australia, New Zealand, Asia and the Pacific. ANZ is expanding in high-growth Asian markets and high-growth industries with strong exposure to the region, including natural resources, agriculture and infrastructure.

ANZ’s success in Asia is underpinned by a number of factors, including product innovations and a client-centric culture that offers integrated services across the region. In particular, ANZ regards its human resources strategy as essential to building a strong, sustainable business. They recognise that a culturally diverse, inclusive and engaged workforce with a ‘wide-angle lens’ view of the world is critical to be able to understand and support customers who do business within and across the Asia–Pacific region.

ANZ views employee diversity—different perspectives and experiences—as a competitive source of innovation that can help open up new markets and business opportunities. This approach has focused on attracting and developing leaders with strong cultural capability, emotional intelligence and flexibility, and who have the ability to get the best out of people from diverse backgrounds. ANZ has sought to appoint and develop Asia–Pacific ‘insiders’—people who understand the client and how to operate in key markets in the region. The bank has done this by recruiting people within local markets as well as rotating senior leaders through its Asia–Pacific network.

Today, 71 per cent of ANZ’s top 120 executives have significant international experience and the organisation continues to actively attract and develop future leaders with diverse cultural backgrounds and language skills (with a requirement of international experience/mindset). Fifty-one per cent of ANZ’s 2011 graduate intake in its Australian and New Zealand operations have languages in addition to English.

As ANZ builds the diversity of its workforce, it is focused on improving cultural awareness, capability and inclusiveness among teams, celebrating cultural diversity, and building relationships with customers and communities from diverse backgrounds.

Asia-capable public institutions

Not just business, but high-performing organisations of all kinds, will need staff who can operate comfortably in the region. This includes our public institutions so that public decision-making is closely informed by knowledge of the Asian region. For example, the Australia and New Zealand School of Government has collaborative public sector leadership programs with China and Indonesia. This type of peer-to-peer collaborative learning, sometimes known as ‘twinning’, helps professional and community-based organisations build relationships and expand their Asia-relevant capabilities (AVI 2012; Chapter 9).

Multiple pathways, some of which will develop from the relationships and types of collaboration outlined above, will be needed to achieve this goal. Such pathways would be valuable for the media and community group sector (Chapter 9).

In the public sector, we will ensure that our ministers build stronger ministerial relationships through more regular engagement with their counterparts in Asia to pursue policy outcomes. The Australian Public Service (APS) also needs to develop Asia-relevant capabilities to improve the quality of its policy advice. As Australia becomes more integrated with its neighbours, the lines between domestic and international policy are increasingly blurred. Asia-relevant capabilities will be required right across the public service, including among the leadership of the APS and beyond traditional 'external facing' institutions. Officials will need to understand how Australia's domestic policy objectives intersect and are shaped by global and regional factors and how domestic policy objectives can be achieved by looking out to the region and beyond. Service delivery and regulatory agencies are likely to require increased cross-cultural awareness.

Policy officers will require a more sophisticated understanding of the region, as well as Asian language proficiency, to ensure that governments are better engaged with the region, can collaborate with nations in Asia on policy issues of mutual interest, are better able to link domestic, regional and international aspects of policy advice and program delivery, and better able to support business and the broader community in making the most of the opportunities in the region.

The building blocks are in place in the APS. The Australian Public Service Commission partners with agencies to develop the fundamental skills that will underpin an Asia-capable APS.

To further develop the APS's Asia-relevant capabilities, the Secretary of the Department of the Prime Minister and Cabinet and the Australian Public Service Commissioner will lead the development within 12 months of a strategy to strengthen the APS by improving capabilities for integrated policy analysis, problem solving and implementation across domestic and international matters. The strategy will embed practices that ensure international and domestic policy outcomes are considered together in the development of government policies.

A number of APS agencies already have exchange and collaboration programs with their regional counterparts. The Department of Defence, for example, currently facilitates major programs of senior and working-level exchanges. There are also some training programs in place. For example, the Leading Australia's Future in the Asia-Pacific program provides opportunities, in partnership with the ANU, for APS leaders to deepen their understanding of the region.

As a further step, we will support building stronger relationships through the development of interactive programs and regular exchanges of senior officials at mid-career points, including through the university sector.

6.3 Adaptability

The rise of Asia, and other factors such as technology, will continue to change the structure of Australia's economy (Chapter 4). These changes bring opportunities and challenges to which people, businesses and institutions need to adapt.

National objective

15. Australian communities and regions will benefit from structural changes in the economy and seize the new opportunities emerging in the Asian century.

Building on existing social systems and support for businesses, we will continue to work with communities, regions and sectors to help them better manage structural change in the economy and take advantage of new opportunities, and we will continue to create environments that promote sustainable growth and jobs. We will also continue to work cooperatively with industries and firms to develop strategies for ensuring those same outcomes.

Greater labour mobility can reduce the impacts of change at both the regional and household levels. Some barriers to mobility are natural, such as people's unwillingness to leave family and support networks. But some are artificial, such as the differences in the recognition of skills and qualifications across jurisdictions, differences in education systems and the perceived liveability of cities and regions, where the availability of housing and access to high-quality services such as schools are real considerations for most people.

Australians are quite mobile in the way they change jobs, occupations and industries. But more can be done to enhance labour mobility. We are working to reduce artificial barriers, through national licensing for selected occupations and support for job seekers to relocate. In addition, our focus on higher quality and consistent education and training is likely to improve labour mobility as well as connecting people with new job opportunities through employment services.

Structural changes to the Australian economy present challenges and opportunities. Some regions and sectors have seen strong growth in population, employment and income while others have faced stiff global competition. The uneven impact on different communities and regions underscores the importance of tailoring approaches to take into account differing circumstances.

One region that has seen strong opportunities from recent economic changes is Darwin (Box 6.7). An alignment of policies supporting development, coupled with a clear vision, provide real opportunity to shape the direction of Darwin's future.

Together with business and the Northern Territory Government, we will work, over time, to accelerate Darwin's evolution as a sophisticated, liveable city built around a gateway to Asia, and as a regional hub for a significant number of goods and services. We will do this through coordinated infrastructure, planning and international engagement activities. Learning more from this experience, we, together with

States and Territories, will explore options to extend this strategy to other well-positioned, high-growth centres in northern Australia as well as other regions across Australia with growing links to Asia.

Box 6.7: Darwin's evolution

Darwin is unique among Australian cities in its capacity to transform itself in coming decades because of its proximity to Asia, natural attributes, potential sites for new ports and expanding liquefied natural gas processing industry. Closer to Jakarta than it is to Sydney, Darwin has great opportunities to become a world-leading centre for engineering, financial, medical and education services. It is on the cusp of evolving in the same way as Singapore, which has used its location to become a modern thriving city with high-quality housing, services and quality of life.

Natural resources developments are leading the transformation of Darwin, which is experiencing an investment boom that is driving and diversifying its economic expansion and creating thousands of new jobs. With access to rich gas fields off its coast, land to process the gas onshore and ports close to its central business district, Darwin is poised to reap substantial benefits. Not only will it help meet Asia's growing demand for energy, it has the capacity to become a centre for gas industry services and for vocational education for students from Asia.

To achieve its potential, Darwin will need all levels of government to work together with a strategic focus on infrastructure, skills and liveability. This includes ensuring that amenities, services, skills and infrastructure are aligned with business investment and population growth. Careful and coordinated planning will help Darwin create opportunities for Indigenous Australians, maintain affordable housing and attract a highly educated permanent workforce.

Decisions made today will shape the direction of the city for decades to come.

6.4 Social foundations

Australia's social foundations, with support from governments, will continue to be a basis for Australia's success.

National objective

16. By preserving and building on our social foundations, Australia will be a higher skill, higher wage economy with a fair, multicultural and cohesive society and a growing population, and all Australians will be able to benefit from, and participate in, Australia's growing prosperity and engagement in Asia.

To achieve this objective, all governments and communities must maintain and support Australia's stable, liberal democratic institutions and laws.

We will maintain Australia's world-leading social systems, including pensions and family support, to assist people who need them.

Despite Australia's broad prosperity, not everyone enjoys access to the same opportunities. A small but significant number of people experience multiple disadvantages, particularly those in the lowest socioeconomic groups who live in disadvantaged areas. In some areas this inequality has widened in recent years (ASIB 2012). Australia ranks 21st out of 29 OECD countries on employment participation rates for those with disability (PwC 2011), and the gap between Indigenous and non-Indigenous Australians over a range of health, education and other indicators is still far too wide (Australian Government 2012b).

To help address these gaps in opportunity, we will pursue long-term social reforms and investments to provide the services Australians need. Long-term reforms include health and aged-care reform and implementation of the first stage of the National Disability Insurance Scheme. This scheme will fundamentally change how governments deliver disability care and support to improve the lives of people with disability and their families.

Maintaining Australia's social cohesion is essential. Australia's openness to migration and cultural diversity have delivered social and economic benefits and influenced how we see ourselves, our neighbours and the world—and how the region and the world sees us.

As Australian society evolves and more people from the region and elsewhere visit, work and live in Australia, an ongoing commitment to promote a cohesive and multicultural society through continued efforts to combat racism and close the gap with Indigenous Australians is necessary. Adhering to this commitment requires involvement from all levels of government, together with businesses and communities.

Australia's culturally diverse population, including the large number of Australians living and working in Asia, is a distinct competitive advantage. Australia should draw on and nurture this advantage through continued support for a wide range of connections with the region. These include migrant communities in Australia, Australians living abroad, people who have lived or worked here, and others who have a special connection with Australia and Australians.

Australia's recognition of dual citizenship for Australian-born citizens and for migrants to Australia has helped to promote these links and supports mobility in the region. Our flexible and responsive migration frameworks also support these.

We remain committed to ensuring that our migration programs, particularly for skilled migrants, are flexible and responsive to Australia's changing needs. For example, the temporary skilled migration ('457 visa') program is demand driven, making it highly responsive to economic conditions, while strong oversight of the program and minimum training benchmarks for sponsors preserves the work and skills opportunities for Australians. Recent reform in the permanent skilled migration program includes a stronger focus on English language proficiency, on-the-job work experience and higher levels of education. We will continue to assess and review our migration programs through mechanisms such as the Long-Term Migration Planning Framework and continued consultation with stakeholders.

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