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DISCOVER LEARN LEAD

A National Internship Scheme

Enhancing the skills and work-readiness of
Australian university graduates

Position Paper No. 3/08

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Introduction

Addressing Australia's long-term skill shortages is vital to ensuring Australia's economic growth and international competitiveness.

Australia's universities directly support the development of a skilled workforce and productive economy, with more than 160,000 undergraduate and postgraduate students completing their studies each year. University graduates will be vital contributors if we are to build competitive strengths in the global industries of tomorrow.

Governments, industry, universities and the professions agree that Australia needs graduates who are well-educated and fully employable.

Even while studying, Australian university students contribute substantially to the Australian workforce. Internships are intended to enhance work-ready skills, in a structured way that complements and enhances traditional studies.

Integrating study and work experience in a systematic way is not new to university experience. The professions have long forged close links between the tertiary education process and the workplace, and other areas have followed suit. There is compelling evidence, however, of an even wider unmet need for generally trained, flexible graduates with relevant experience and enhanced work readiness. Recent progress in this direction has been impressive, but much more can be done.

A National Internship Scheme will enable more Australian university students to undertake structured work-based learning in industry during their studies. Such a scheme will realise a potential for providing increased income support for students delivered in a way that complements their studies and increases their future employability and productivity.

A broad partnership between universities, government and industries to develop a National Internship Scheme will provide support for efforts to address skills shortages in an effective and structured way.

The development of Universities Australia's proposal responded to a request from the then Leader of the Opposition (now Prime Minister) Kevin Rudd. In summarising the messages he had received at a day-long National Manufacturing Roundtable held at Parliament House on 10 September 2007, Mr Rudd said that he would have particular interest in receiving a paper on an Internship Scheme, an idea proposed by Universities Australia during the discussions.

Following the release of a Discussion Paper in October 2007¹, Universities Australia has received feedback from stakeholders broadly supporting the concept of a National Internship Scheme developed in cooperation and coordination with governments, industry and educational institutions. Universities Australia has incorporated selected comments from this feedback as quotations throughout this final report (unless otherwise sourced).

The notion of 'internship' used was broad and referred to all on-the-job training or work experience related to formal education, and 'industry' was interpreted broadly to encompass the business, government and community sectors.

This final report reflects widespread consultation with the university sector, business, industry, professions, community groups and other interested bodies. It will be used to promote support for this proposal as a partnership model with government and industry. It also complements the Treasury's priorities for improving the economy through the three Ps: Population; Participation; and Productivity. Each is enhanced by the proposals in this paper, as are further national objectives of social inclusion and international integration.



Dr Glenn Withers AO
Chief Executive Officer

I. Background

Working and learning

Recent research on Australian university student finances has established that 85% of all students work in paid jobs at some stage of each year.² However such work is often not structured and it is not necessarily linked in any way to their intended area of graduate employment. Our students often work because of the low rate of alternative income support, rather than to enhance employability skills for their future. Often they are scraping a living, rather than enhancing a career, and they cannot obtain as much work as they would wish.

That said, increasing publicly funded income support for students would be very costly to taxpayers. Moreover, it would also deprive the workforce of a major contribution if not tied to work. If the work is part of a productivity enhancement that benefits the nation into the future and not just current employers, then the case for a partnership approach, including a mix of public support and private contribution, does arise. But this requires well-designed and structured programs for the potential national benefit to be realised.

Integrating study and work-readiness in a systematic way under partnership principles is not new to university studies. Table I highlights some of the structured programs already available for final year and postgraduate students in Australian universities.

Table I: Existing University Internship Style Programs

Fields of Study	Work Experience Form / Approach
Health (medicine, nursing, allied health)	University-arranged formal placements in hospitals and other clinical providers are an integral part of these degree programs.
Education	University-arranged classroom practicums and supervised projects (e.g. curriculum development) are standard.
Law	Short-term internships with legal firms are available in a number of jurisdictions. Requirements are in place for Articles and Legal Workshops. Some specialised internships are also available – for example in relation to Native Title studies.
Politics and public policy	Short-term, university-arranged internships in State and Commonwealth political or parliamentary offices and government agencies have been established.
Engineering	Engineering students are commonly required to obtain 12 weeks of industrial experience over the course of their degree program and report on their experience. They are encouraged and supported by faculties and/or careers services in so doing.
Clinical Psychology	Short-term, university-arranged internships with counselling services are common.
Visual / Performing Arts	Student-arranged work experience with relevant artistic companies, with mentorship a common focus, is widespread.
Public Relations / Marketing	Student-arranged work experience with private companies is growing, where the student is treated in most respects as an employee.
Science	University-arranged cadetships and summer vacation paid work experience with suitable private companies or government departments and agencies are available in many universities.
Development assistance	Placements with development assistance agencies are available in connection with some development studies courses. The Commonwealth Government funds approximately 400 placements in the Asia-Pacific region through the Australian Youth Ambassadors for Development program.

A number of universities have made substantial commitments to increase the availability of work integrated learning³. For example:

Victoria University has made the key commitment that

“at least 25% of the learning in 100% of our courses will draw upon student workplace and/or community experience.”

Griffith University has set a significant target

“...of having 70% of degree programs with a component of work integrated learning by 2010.”

While work integrated learning programs are resource intensive for the universities involved, business groups such as the Australian Industry Group are highly supportive of such initiatives, saying that

“ ‘sandwich graduates’ – those who [have] combined work and learning – [are] the most sought after graduates.”⁴

While development of structured programs such as these has expanded across universities and a range of disciplines and sectors, a broad integration of study and programs to enhance work readiness has not yet been achieved.

At present, most students find their own work independently in a wide range of positions - work that is typically *ad hoc*, unskilled, ill-structured, and not necessarily relevant to their long-term career plans. Research released by the then Australian Vice-Chancellors’ Committee (AVCC) in 2007 found that 67% of full-time students report that the type of work they do is not related to their studies.⁵

Some of the *ad hoc* jobs obtained by university students do add value for future employability. But this benefit is invariably less than that derived from study-related programs, especially where the work itself can be oriented to form part of the credit for the university degree being obtained.

As the Australian Chamber of Commerce and Industry has observed:

“There are many potential benefits to university students and employers from undertaking a relevant work placement program during a course of studies. Programs like these are important for building relationships between business, industry and higher education institutions and ultimately, for building the skills capability of Australia. The idea warrants further investigation at this early stage, especially in relation to addressing Australia’s skills shortages.”

There are major areas of student work experience where industry is not presently supplying the full extent of future employability skills that students need, despite the commonly expressed concern by business over work-readiness of graduates and the existence of major labour and skill shortages, and despite the long-standing precedent of structured work-study arrangements, especially in the professional areas. Australia cannot afford to ignore opportunities to add value to education, and to work processes, if it is to remain a prosperous and competitive country providing satisfying knowledge-derived work for its young people into their future.⁶

As the Australian Technology Network of universities has observed:

“In addition to entry level knowledge gained by a university degree, employers in a globalised, competitive world increasingly expect the relationship between those academic skills, generic skills and lifelong learning to be seamlessly integrated producing graduates who are work-ready.”

According to a recent Commonwealth Government survey of over 10,000 tertiary students (released in October 2007),⁷ there are many opportunities to employ willing students, especially in study-related work experience.

The survey covered 7057 domestic students and 3609 international students who answered work-related questions. It found very low levels of satisfaction with the ability to find part-time, casual or holiday work, and found equally low or worse levels of satisfaction with the ability to get work experience in the student's field of study (Figure 1).

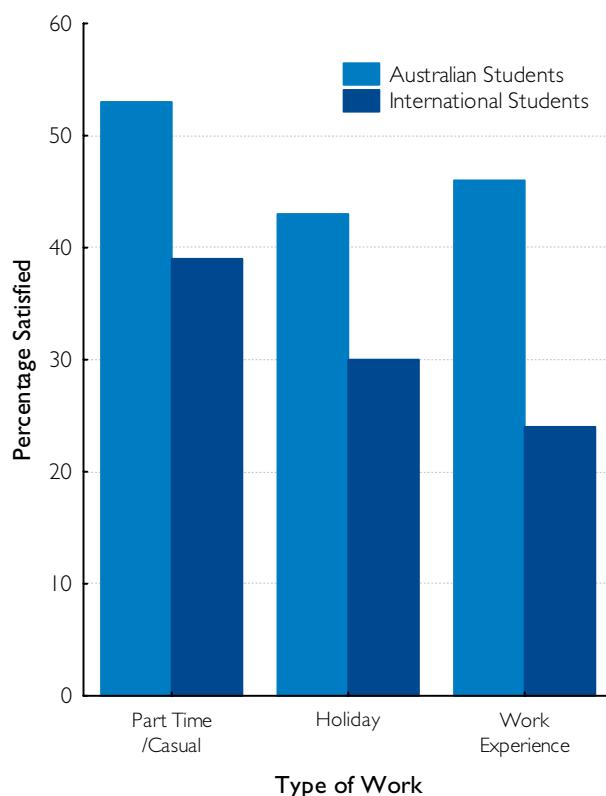
Overall, 82% of the students surveyed expressed general satisfaction with their Australian university studies. Work experience, however, was a clear exception within this generally favourable environment.

As the University of Newcastle has pointed out:

“Student dissatisfaction with work opportunities and work experience arrangements is ... a troubling aspect of otherwise satisfactory student reports on their university experience.”

Addressing industry work experience issues is not a matter solely in the hands of the universities. Government and industry responsibilities are also relevant, implying a clear need for a partnership approach – rather than any simple presumption that universities alone can remedy the deficiency.

Figure 1: Percentage of Students Satisfied with Finding Work - by Type of Student and Type of Work



Source: Adapted from 2006 International Student Survey: Higher Education Summary Report, AEI 2007 p.26

Indeed in the matter of a university's direct role in its areas of responsibility, official government research shows high satisfaction ratings of graduates judging how well their university provided skills needed in their job. Across the range of employability skills emphasised by industry bodies, including initiative, communication, technology and others, 88.6% of graduates were satisfied with the skills provided by their university studies (on average), with this percentage improving over time.⁸

Table 2: Longitudinal Survey of Australian Youth – student satisfaction with employability skills provided by university studies⁹

Skill Area	Satisfaction rating (per cent)	Increase over three years earlier
Communication	89.9	7.2
Teamwork	88.9	10.8
Problem solving	93.2	8.4
Initiative/creativity	78.7	-0.6
Planning/organisation	91.8	8.9
Self-management	92.1	6.2
Learning skills	95.0	4.8
Technology	79.4	3.5
<i>Average %</i>	<i>88.6</i>	<i>6.1</i>

See Appendix: Tables 1 and 2 for supporting data

The biggest gap seems to be what a recent Business, Industry and Higher Education Collaboration Council (BIHECC) Report referred to as how to obtain

“an increase in the total number of employers offering placements rather than just a sharing of available placements”.¹⁰

The failure to capitalise on clear student interest in study-related work at a time of major Australian employer reliance upon temporary entry skilled migrants raises significant issues that employers, universities and government need to review. Migrants create as many jobs as they take, so that they do not necessarily, in the end, ease shortages overall.¹¹ By contrast, higher work participation by existing residents represents a greater net contribution to efficient workforce utilisation within Australia.¹²

Enhancement of human resource management procedures in industry could lead to better access to this under-utilised resource. For example, liaison with universities could be enhanced by identifying a single contact point within each organisation, e.g. large firm or industry association for smaller firms. At the same time, efforts to structure work programs explicitly linked to the field of study that also meet study credit requirements, would improve student motivation, and build future productivity and skills enhancement substantially.

The pay-off seems immediately evident with Australian students, but also applies for international students. International students who are attracted to Australian education, and related work opportunities, are a major benefit to the Australian economy and its workforce, even if they return to their home country. International education is now Australia’s number one service export industry and the number three export industry overall.¹³

Many of these students stay on or return as permanent residents. At least half of the expansion of independent skilled migration to Australia since 1997 has come from former international students seeking permanent residency.¹⁴ Yet qualitative research from Australian Education International indicates that

“a major frustration among international students was the difficulty of finding work related to their field of study”.¹⁵

Recognising this, in September 2007 the Commonwealth Government introduced a new 18 month visa extension which provides graduating international students with the opportunity to gain work experience in Australia before returning to their home countries. This is valuable, but does not address the issue of work experience during studies. Australia has enjoyed a competitive advantage by allowing full-time international students to work up to twenty hours per week during regular study periods as well as unlimited hours when the course is not in session without breaching visa conditions, as well as allowing spouse employment. Further initiative is needed to retain our education export advantage, because other education export countries are now emulating these policies. Industry and government action in partnership with universities on work integrated learning would help significantly.

It is in the interests of the skilled migration program, the Australian economy and Australia's higher education providers that international students (and with their domestic counterparts) enjoy better opportunities to improve their work-readiness for ultimate employment in areas of skill demand both in the Australian workplace and in their home countries.

Social equity and opportunity

Improving student work-readiness through internships also has significant potential benefits in relation to social equity and opportunity. It seems evident that those least able to access study-related work opportunities, and indeed good job opportunities more generally, are those lacking well-established family and social networks that may provide income support during job search, as well as referrals and references for the preferred jobs.

Attempts by universities to alter the socio-economic demography of university entrants through alternative entry schemes and institutional equity and access initiatives are made more difficult by such structural deficiencies in the labour market. Again, a partnership response across sectors could improve this situation. Entry to structured work opportunities linked to field of study, and that provide enhanced income support opportunities, could be crucial to beginning to alter the traditional social profile of those undertaking university studies.

The combination of a lack of fully integrated work-learning programs and a widespread reliance on *ad hoc* unstructured working arrangements for both Australian and international students may therefore inhibit improved opportunities for all students, given the increasing pressure for graduates to emerge from tertiary institutions with sufficient skills to ensure Australia's competitiveness in the global marketplace.

Essential partnerships

The issue of work-readiness is not easily solved by higher education institutions on their own. Their responsibility and expertise lie in providing general, flexible education, training and professional skills development, i.e. education that encompasses inquiry, teaching, research and community engagement, not vocational preparation and skills alone.

Universities specialise in inculcating general reflective, critical and analytic skills. Some areas of business complain about the lack of suitably work-ready graduates. According to a recent BIHECC report:

"Broadly speaking industry representatives are satisfied with the technical or discipline-specific skills of graduates, but for some there is a perception that employability skills are under-developed".¹⁶

Box 1: Recent Business Reports on Employability

BIHECC Study: Graduate Employability Skills¹⁷

The August 2007 report by Precision Consultancy and the Australian Industry Group (Ai Group) on behalf of the Business, Industry and Higher Education Collaboration Council (BIHECC) (released in October 2007) focuses on a best practice approach to how universities develop and teach employability skills to undergraduates, and on how graduate employability skills are assessed and reported upon.¹⁸

The report finds that across the board universities have established practices and programs in key professional areas, for the development of the employability skills in their students. These include the provision of dedicated academic staff and resources, the integration of employability skills in curriculum course design, and for the provision to students of work placements and exposure to professional settings.

Universities also play a pivotal role in equipping students with knowledge of current workplace practices through fieldwork, industry-based learning, 'sandwich' years, cooperative education, work placements and some internships commonly called Work Integrated Learning (WIL) programs. These programs are resource-intensive for business and academic staff, but could be developed further, said the report.

The Committee for Melbourne Study¹⁹

The Committee for Melbourne and Higher Education Taskforce released a white paper in August 2007 that examined issues surrounding the future of higher education in the City of Melbourne. The report recommended that "universities, business and governments must improve liaison capacities which proactively engage education providers and beneficiaries of education in course content and design"²⁰. The report cited a possible solution through increasing the role of major private employers in developing courses, graduate capabilities and research programs that are aligned with society, industry and commercial requirements.

In reality, however, there is very little evidence that isolates what balance of the general educational and employability approaches is most effective in developing productivity, nor is such evidence precise. The focus has been on anecdotal statements by some employers about the initial work-readiness of graduates. These indicators are not systematic nor do they acknowledge wider and long-term benefits.

The statements also ignore contrary views by other employers and the views of graduates themselves, which are supportive of the increasing number of university subjects and degrees that reflect both academic and employability skills in a complementary way, including through innovation in course delivery and assessment.

More rigorous evaluation of success and sophisticated consideration of mutual or reciprocal responsibilities in preparing graduates for the workplace would enhance policy and ultimately support better outcomes. In the traditional professional fields, and increasingly in other areas, universities have their own experiential views confirming that good programs are indeed available and offer a range of approaches:

"Many universities operate their own clinics and other enterprises in order to secure access to field education for their students. This is especially the case for non-metropolitan universities, particularly in inland Australia, where securing access to appropriate field education/internships is not always easy." – Charles Sturt University

"A number of Australian Law Schools also run clinical legal education programs. Clinical programs are different to placements. Most are operated in conjunction with a community legal centre, where students provide advice and assistance to real clients (as opposed to simulated situations) whilst carefully supervised by a practitioner, who may also be a legal academic." – Flinders University

The extension of the approach to wider areas in partnership therefore does seem feasible and desirable. A broad-based partnership approach is also essential to ensure a consideration of a wide suite of models rather than a one-size-fits-all. While the focus of this proposal is on internships, other forms of work integrated learning should not be neglected.

Monash University suggests that:

“Other approaches – such as that of groups of students interacting with workplaces in project teams – will need to be considered conjointly with internships if the goals envisaged ... are to be realised.”

This wider conception is accepted as appropriate.

Universities Australia has considered the available evidence and the experience to date of a range of universities and sees the opportunity for extension of intern-type schemes along these lines to be given new consideration, as outlined in section 3. The elements outlined can be seen as options, but Universities Australia believes that a full package of all of these elements presents strong, mutually reinforcing elements and benefits.

There is also growing evidence/recognition of the importance of advancing opportunities in this field, including by potential partners to universities.

The Commonwealth Department of Finance and Administration commented that there is now

“some interest in improving structured work-place learning in industry for our university students”.

2. Developing a National Internship Package

A national policy focus on graduate employability that involves a partnership approach between government, industry and universities was supported as the way to progress the development of a national program. Of the range of options or elements possible in a national internship package outlined in the initial Universities Australia Discussion Paper, those relating to a “lightest touch” approach attracted much less support from stakeholders in favour of moving progressively to more ambitious provisions. Indeed there was widespread support for a comprehensive “package” approach to work integrated learning opportunities, rather than placing reliance upon any one component.

Element I: Encouragement

There was little support for the government merely encouraging industry and universities to adopt a scheme as partners in order to improve the extent and content of industry internships. There was unanimous agreement that simple encouragement, without any commitment of resources and practical measures to increase opportunities, would not lead to a significant increase in the uptake of internship programs by employers.

The University of Sydney University commented that:

“Without dedicated resources by the university sector and from employers, the popularity of such schemes waxes and wanes. Unless work integrated learning becomes a core component of all curricula with a corresponding commitment by industry to establish relevant work placement opportunities, work integrated learning will remain an ‘elective’ rather than a core activity.”

The University of Melbourne also highlighted the maintenance and supervision issues requiring the engagement of significant university resources to support existing programs:

“Problems reported frequently by staff relate to the intensive and time consuming aspect of sourcing and managing work placements or internships. For example, placements often need to meet professional requirements and thus specialised industry staff need to be identified. Other activities include: the clarification of risk and insurance and financial reward for students; the development of mechanisms for assessment and validation of work experience; and arrangements for workplace visits to ensure appropriate supervision and worthwhile outcomes and to resolve any difficulties between students and organisations.”

Establishing a Government initiated National Internships Council was seen as a potentially useful start-up initiative, especially in building cooperation between business, government and higher education providers. This would need backing by substantive policy initiatives.

Element 2: Leading by Example

A second policy approach in the Discussion Paper canvassed the notion of government leading by example through intervening directly in the establishment of internship schemes within its own departments and agencies, and with government acting as employer. It noted that few government agencies have systematic schemes of this kind on any scale, prior to graduate recruitment.

There are several existing and successful Internships Programs operating within Australian universities where a few hundred students annually from all universities work in parliaments and major government agencies. The structured and balanced combinations of study and experience, and formal contract structures (covering rights and responsibilities, project definition, terms and conditions) provide a helpful template for defining how a more comprehensive scheme would operate. Other small scale *ad hoc* partnerships exist for undergraduates and some postgraduates in government in various jurisdictions, but on a small scale with varying degrees of structured learning.

There is an under-developed role therefore for government in developing a national strategy to support internships and work placements within their own areas of employment. Such a scheme would involve the Commonwealth, State and Territory, and local governments to create a ‘Public Sector Internships Program’.

The seeming success of the recent gap year scheme for graduates seeking Australian Defence Force careers provides another example of a public sector approach, including resolution of employment and remuneration matters. For internships across the career spectrum a part-time and educationally focussed scheme in partnership with universities is anticipated. The scheme could be constructed to lead to concrete assessable reports and products for university subject credit thereby providing practical and modern incentives for students.

In the Defence portfolio the Minister the Hon. Joel Fitzgibbon MP is reported as seeking to launch just such a scheme for student work experience to complement the earlier gap year scheme. According to one press report:

“Defence Minister Joel Fitzgibbon will order the launch of a student work experience at bases across the country. He said none of the objections - including safety of the participants, security of bases and the resources involved in supervising students - was insurmountable.”²¹

A number of State Ministers for Education and Training responding to Universities Australia's Discussion Paper noted that initiatives are already underway which are aiming to address short and medium-term issues of workforce shortages:

"NSW public sector agencies also employ apprentices and trainees across various areas of study, for example, in the fields of business, finance, information technology, hospitality and tourism. This is part of the state's wider apprenticeship and traineeship system, which has developed a range of funding models and employer incentives."

"The ACT Government has taken a lead in the development and promotion of formal pathways between university and the workplace. These include the Bachelor of Building and Construction Management at the University of Canberra and a pilot project with the health industry, education and training providers, schools, universities and the Australian Bureau of Statistics. This project will determine the future demand of health industry workers and the clinical placements to support training."

As highlighted above by the University of Melbourne the sector would benefit enormously from well-managed government programs that are based on examples of best practice.

At the same time, however, there was also general acknowledgement that the capacity of government to provide internships, though significant, is nonetheless limited; and that industry and business would provide the bulk of an expanded internship scheme, to ensure adequate balance between government and private and community sector options.

Victoria University expressed strong support for

"the implementation of a Public Sector Internship Program, building on existing successful models ... One benefit of such a scheme would be to address the skills shortages impacting on that sector. However, it would be unfortunate if this is not complemented by strategies to strengthen internships within the private sector and within communities. Universities should also be encouraged to provide opportunities for work integrated learning on their own campuses."

Government participation in an internship scheme would provide leadership by example but alone would not lead to sufficient and balanced participation by employers.

Element 3: Public-private partnership

Respondents agreed that outcomes would be enhanced were industry itself to accepted responsibility for its role in job-ready training in partnership with universities. This would complement and enhance the qualifications and skills otherwise obtained through the university system. The role of government in this context would be as a facilitator.

The University of Adelaide commented that

"government could act as a facilitator by providing placements itself, and by funding business organisations and universities to provide systematic, well-designed, intermediation services for industry members and students respectively. Industry could also commission and co-sponsor customised degree programs that meet both industry and university criteria."

This crucial partnership would better integrate the related roles of industry, higher education and government. It would allow big business to build upon existing corporate intern arrangements or adapt graduate trainee programs in best practice enterprises; and to design templates useable by other large organisations for experience and transmission of employability skills during studies. It could also facilitate the involvement of 'globalised' businesses through potential international placements, which should be a feature of such schemes for Australia.

Smaller businesses lacking specialised human resource and knowledge management functions may need their associations and chambers to adapt templates to their requirements, disseminate procedures and promote participation. An internship scheme should foster genuine learning, and not simply provide recruitment for low-skill tasks devoid of study-related training. At the Commonwealth level, precedent exists for the ingredients of government support for small business-oriented schemes, with the out-posting of Department of Immigration and Citizenship (DIAC) officers to industry organisations to assist with business recruitment of permanent and temporary skilled migrants.

No such equivalent scheme exists for young Australians or even for international students living in Australia. The Commonwealth out-posts officers to assist with acquiring temporary skilled labour from overseas, but does not do the same for domestic skill opportunities.

That said, respondents did not favour government-funded internship officers to both industry and universities to broker internships, as opposed to other forms of support. “Out-posting” might be appropriate where complex visa and qualification recognition matters apply, but not for domestically sourced work options.

The University of Sydney stressed that:

“Any resources which might be available to support a national internship program would be better spent in providing support at the institutional level; the concept of government-funded internship officers may not be sufficiently responsive or flexible, or reflect on-the-ground realities in different institutions.”

There is no one-size-fits-all solution for universities to develop and maintain these relationships: institutional diversity must be considered. Universities were more supportive of having government funding to support their own efforts to gain employer contacts and internship positions. This would allow universities to maintain existing successful internship programs. Funding could be provided through the provision of per-student workplace placement subsidies, or distributed via a central body such as a National Internships Council to fund specific proposals including industry association officers and university positions.

Element 4: Enhanced public subsidy

A truly National Internships Scheme may also require some element of wider public subsidy. Commonwealth wage subsidy schemes provide a precedent for public budget contribution, and could provide for wage supplementation to meet any gap between intern productivity and reasonable minimum wages. Corporate tax relief could offer equivalent benefit and was viewed as the easiest solution by the majority of stakeholder respondents.

Industry may validly argue that students are not immediately generating direct industry revenue commensurate with wage payments required for income support, particularly if the work must also be designed to serve study credit purposes. Wider public benefit from work-ready, better-skilled and more employable graduates, however, can justify a government contribution in partnership to reflect this mix of private and public benefit.

Stakeholders pointed to possible inconsistencies in the tax status of payments made to work experience students by employers. The Commonwealth should redefine which work-integrated programs are acceptable for students in Commonwealth Supported Places.

A precedent for positive support of such work-related initiatives is the previous Government's provision of upwards of \$500 million for traineeships for the Vocational Education and Training (VET) sector, and an additional 450,000 funded traineeship places which has begun to be implemented by the present Government.²² There are also significant Commonwealth wage top-up, wage subsidy and employee incentive programs for apprenticeships.²³ VET is traditionally a State and Territory responsibility. University funding is long accepted as a Commonwealth responsibility. Yet to date, there has been no

extension of Commonwealth traineeship funding to universities and their students, nor to industry for structured internships or cadetships for university students requiring such training.

Under this internship approach with possible wage payments the government avoids the obligation accepted in other countries to provide higher publicly funded income support not tied to work. But the argument that work can validly and productively be complementary to studies fully justifies this form of tied income support. And valid access and equity gains also justify public support that goes beyond passive welfare, along with the productivity and skill shortage gains obtained.

Element 5: Futures planning

Universities Australia's Discussion Paper canvassed the idea that a National Internship Scheme could be developed as a foundation for a wider discussion of a 'Future Generation Plan' exploring how Australia will maximise use of its human resource potential for the future. A number of respondents supported this aspirational proposal.

This discussion would embrace visions of the future which define the life-cycle pathways for Australians, from early childhood, primary and secondary schooling through to vocational education, university studies and life-long learning.

Other countries are increasingly recognising the need for coherent definition of fully inclusive pathways to best enhance human resource development and are using such strategies as a source of both economic benefit and social improvement.²⁴ In the Australian context, recent constructive efforts to define ways forward include the visions articulated by the Business Council of Australia²⁵ and the Group of Eight.²⁶ But these are not fully comprehensive and not yet reflective of wider views. The Council of Australian Governments (COAG) discussions on human capital initiatives could provide one avenue to take this dialogue forward. The establishment of Skills Australia²⁷ should also assist, but to date there seems to be little recognition of the need for a holistic approach to all skills, including professional, para-professional and executive skills. Similarly the Innovation Review and Higher Education Review announced by the Rudd Government should assist further.²⁸

3. Budget Cost and Public Benefits²⁹

Any innovative concept that seeks to improve work-readiness for Australian graduates will have immediate costs in establishment and in on-going administration, but the potential benefits from embracing change and positioning Australian universities and industry more competitively are worth pursuing.

Responses to the Discussion Paper suggested that more realistic costings for the Internship Package were needed. Costings are thus revised to be as follows:

- Eighty internship officers coordinating and facilitating between universities, industry, government and community associations with liaison responsibilities would cost \$16m annually.³⁰
- If each university additionally created a sub-dean role in each major faculty or school group, and offered a higher duties payment for liaison on curriculum and placement, a reimbursement mechanism whereby government would fund that additional cost annually would be needed. Based on an estimate of ten such positions at each university at \$50,000 per sub-Dean per annum, plus fifty percent support costs, the total annual cost would be \$29.2m across the sector.³¹

Another mechanism is to give a ten per cent wage subsidy to employers for interns under the scheme, which would cost some \$105m annually. Again, an administrative cost component would be incurred.³² Not all respondents supported this option as calibrated, with Deakin University questioning whether the ten percent subsidy assumed would be sufficient to change behaviour. If a 25 percent subsidy were needed instead then costs would rise to \$263m, as an upper bound estimate.

That said, the costs of such a scheme should be assessed in the context of the potential benefits. As assessed in the Discussion Paper, these were also seen as too conservative, and so are revised as follows:

- *Benefit to government budget*

Reduced direct income support costs to the Commonwealth under existing support arrangements such as Austudy. This could be conservatively estimated as of the order of \$213m based on 30% of current support recipients.³³

- *Benefit to industry*

Reduced skill shortages and enhanced productivity assessed at a 15% improvement or margin in commencing graduate earnings for ex-interns, representing approximately \$330m annually per cohort for the first year post-graduation; and perhaps a 10% margin in second year post-graduation and 5% in third year, or \$630m (present value) per intern cohort conservatively assuming convergence thereafter to common wages for all graduates.³⁴

A scheme with these specified features could result in an overall net annual gain for Australia, not a cost. It could deliver an indicative benefit to cost ratio of more than two to over six (depending on assumptions), which is well ahead of any standard public investment hurdle rates, beating the rule of public investment to fund any project where the social benefit to cost ratio is greater than one.

Unless work-readiness is of little or no value to industry, and therefore that industry is wrong in its strongly expressed views on this, a National Internship Scheme clearly is worthy of consideration.

4. Discussion

A National Internship Scheme that delivers on work-readiness of graduates will address a major issue confronting both industry and the higher education sector.

Respondents to the initial consultation phase agreed that universities, government and employers all had roles to play, though there are clearly different perspectives in relation to the apportionment of costs.

The Queensland Minister for Education and Training stated:

“An Internship program that will offer financial relief to students while providing valuable experience before they graduate from university certainly has merit, especially as the level of support provided by the Commonwealth Government to students is relatively low.”

Conversely, the Commonwealth Department of the Prime Minister and Cabinet observed:

“Obviously, those areas of society which derive a benefit from the implementation of such a scheme can be expected to contribute proportionately. Industry would derive the overwhelming benefit from having interns in the workplace and potentially reduced recruitment costs. This would need to be taken into account in advising ministers on whether any government contribution would be appropriate.”

It should be recognised that the overall benefits of a national internship scheme will in fact be shared by employers, government, universities, community organisations, and indeed by the Australian economy and society as a whole. This should be reflected as a genuine partnership including cost-sharing.

Many respondents agreed in principle that a formal system of student participation in work-based learning would increase graduates' work-readiness. There was widespread acknowledgement that the development of a new system would be complex but that this was not an insurmountable barrier, and that there is clearly a need for much greater cooperation and coordination between governments, industry and educational institutions if Australia's skills shortages are to be effectively addressed.

Two general issues were identified: that university participation in an internship scheme should be voluntary; and any internship should be primarily about learning and income support, and not about providing employees sourced on a potentially cheaper scale than usual recruitment processes.

Progressing the development and implementation of an internship scheme must consider the impost on management time to develop and administer suitable programs and projects when they have not been university core business, as in many study areas. An underlying concern was the absence of overhead funding to cover the associated indirect costs. The revised costings in this report seek to include these elements, and the enhancement of work-readiness and productivity more than compensates for any subsidy.

For government, a concern might be that more graduates with work-readiness from participation in tertiary internships means a potential reduction of available labour for work in casual unskilled labour sectors.

This may be the case, but Australia must avoid a low-cost labour trap of supporting low skill, low productivity and low growth industries into the future. Indeed, comment from the ACT Government highlighted the fact that the issue of work experience and work placements for students is broader than the university sector, and formal pathways between university and the workplace are key to addressing shortages and ensuring labour sectors are not affected by segmented schemes.

Our future standard of living requires movement to higher value-added employment in the growth industries of the global knowledge economy, which this Internship Scheme proposal seeks to promote. There remain other pools of under-utilised workers who would benefit from freed up opportunities, and these deserve the greater focus by government and industry that should ensue. For example, Australian labour force participation by women, welfare recipients and older workers has lagged behind comparator countries for many years.³⁵ An Internship Scheme for students should assist underemployed workers in obtaining work by increasing job vacancies.

There is an associated risk of interns undermining conditions and opportunities for other workers. However this is a time of critical labour shortage and need for productivity growth, and the point of the wage subsidy element is to not undermine either the employer incentive to employ interns, nor to undermine work conditions for existing workers.

Any concern relating to a potential for budget blow-out from wage subsidies can be ameliorated through capped total subsidy or by use of a variable rate subsidy which can reduce or increase as needed in each annual Budget. Or the wage subsidy aspect of the Scheme, if it is beyond current Budget parameters, could be planned for future phased introduction. Other elements of the Scheme that require more modest budget outlay could commence the operation of the Scheme and support a learning process. Pilot testing could well assist efficient later full scale delivery and better review of costs and benefits.

Feedback from State Governments has indicated that a full clarification of the extent of state and territory government involvement for the scheme is required so that issues of feasibility regarding budget and time investment are settled during the planning phase. This could include pressure on currently unremunerated placements to receive some payment.

A concern regarding a focus on business at the expense of public and community sector careers and employment was found in responses:

“The internship program as it is presented in this Discussion Paper seems to be a little simplistic in its assumption that students have the degree of certainty about their future career direction that would lead them to confidently enter into an internship arrangement.” – The University of New England

“Varying experience has been an effective basis for the development of employability skills across the student cohort, and voluntary work, in particular, can provide an important and additional grounding.” – Monash University

“To provide an effective program that will suit wider community objectives including for example civic engagement and social responsibility, a scheme would need to allow for a variety of experiences within and across the government, industry and not-for-profit sectors.” – The University of Newcastle

This could readily be addressed through design, with the Scheme incorporating all sectors lacking arrangements for career enhancement purposes. Stakeholder feedback strongly supported an incremental roll-out initially in priority areas, to identify any challenges with implementing the scheme. The idea promulgated at the 2020 Summit in April 2008 for HECS reductions based on community work could be one way of accommodating some of these issues.

The Scheme also could strongly embrace international placements to tap the modern trend for international experience, including idealism found with some students for development work.

Isolated inappropriate or exploitative individual internship placements and projects could occur and be used to discredit the Scheme in a media that all too often sensationalises exceptions - but this concern could be managed if the Scheme is subject to transparent regulatory oversight from the beginning. This regulatory process could simply be placement approvals by an audit committee comprising an appropriate mix of education partners, industry associations and government representatives, where all partners have buy-in and the occasional error can be readily condemned and improved performance management sought, and with exclusion from the Scheme for breaches being an active anticipated option.

5. Way Forward

Universities Australia has advanced the idea of a National Internships Scheme as an innovative concept that addresses a stated concern of industry over work-readiness of graduates. It is aimed at stimulating partnerships between industry, community, university and government.

As the Western Australian Department of Industry and Resources commented:

“A national internships scheme could provide much improved linkages between tertiary students and industry, to the benefit of both.”

The scheme need not involve a large, new bureaucracy. Rather it should involve enhancement and extension of existing pathways for the work-readiness of Australia's university students to support improved productivity, reduced skill shortages and enhanced equity and access to rewarding careers for Australia's university graduates.

Based on feedback from industry, the private sector and government, there is support for a national scheme within the context of a wider strategy that refines employability skills through university central and program area services and courses. It should draw upon wider partnerships to enhance workforce development and social inclusion, while serving basic university education goals.

It is agreed that graduate employability concerns should not and cannot be matters for university action alone. This said, the need for universities to embed employability skills as part of the graduate skill set through curriculum design, course content and delivery is fully endorsed.

Universities Australia will further foster partnerships between higher education, industry and government towards enhancing and extending the work-readiness of Australia's university students.

Immediate steps to develop and implement a National Internships Scheme should include:

1. A commitment by the Commonwealth Government to take a more active role in promoting an expansion of internships and work integrated learning to address Australia's skill shortages and to improve the linkages between university study and workforce readiness.
2. A commitment by Commonwealth and State and Territory Governments to lead by example by adopting a strategic approach to the expansion of internship opportunities within their own departments and agencies.
3. Establishment of a joint steering committee including representatives of the Commonwealth, State and Territory Governments, national industry associations and the universities to define the scope, structure, mechanisms and costs of a National Internship Scheme, including conduct of a detailed scoping study³⁶ and commissioning a pilot project. The latter initiative can be pursued as part of the COAG human capital agenda or as a separate initiative.
4. A review by a new National Internships Council to provide advice to the Commonwealth Government on regulatory and tax expenditure settings for work integrated learning. This should embrace the definition of courses for purposes of government funding eligibility within degree programs, and should assess the tax deduction status of appropriate forms of payment for work experience.

Appendix

Table 1: Responses to employability skills questions from the LSAY 1995 Year 9 Sample Wave 12 (2006)

Skill Area	Importance of job skills	Degree to which university studies prepared student for current job
	Proportion indicating skill as being Very important or Important (per cent)	Proportion of those considering skill to be Very important or Important indicating that they were prepared Very well or Well (per cent)
Communication	98.7	82.7
Teamwork	96.1	78.1
Problem solving	95.4	84.8
Initiative / creativity	88.8	79.3
Planning / organisation	96.1	82.9
Self-management	93.4	85.9
Learning skills	94.1	90.2
Technology	90.1	75.9
Average %	94.1	82.5

Source: ACER, *Longitudinal Survey of Australian Youth, Codebook: The LSAY 1995 Year 9 Sample Wave 12 (2006)*, Technical Report Number 40, April 2006: http://www.acer.edu.au/documents/LSAY_TechRep40.pdf

Table 2: Responses to employability skills questions from the LSAY 1998 Year 9 Sample Wave 9 (2006)

Skill Area	Importance of job skills	Degree to which university studies prepared student for current job
	Proportion indicating skill as being Very important or Important (per cent)	Proportion of those considering skill to be Very important or Important indicating that they were prepared Very well or Well (per cent)
Communication	98.6	89.9
Teamwork	96.5	88.9
Problem solving	96.0	93.2
Initiative / creativity	89.5	78.7
Planning / organisation	95.1	91.8
Self-management	97.0	92.1
Learning skills	98.1	95.0
Technology	90.2	79.4
Average %	95.1	88.6

Source: ACER, *Longitudinal Survey of Australian Youth: Codebook: The LSAY 1998 Year 9 Sample Wave 9 (2006)*, Technical Report Number 39, April 2006: http://www.acer.edu.au/documents/LSAY_TechRep39.pdf

Respondents

Organisations that responded or provided comment to Universities Australia on the National Internship Scheme Discussion Paper (October 2007):

Australasian Professional Legal Education Council
ACT Government – Office of the Chief Minister
Australian Chamber of Commerce and Industry
Australian Collaborative Education Network
Australian Government Department of Finance and Administration (now Finance and Deregulation)
Australian Government Department of Immigration and Citizenship
Australian Government Department of Prime Minister and Cabinet
Australian Government Department of the Treasury
Australian Law Students' Association
Australian Medical Association
Australian Technology Network
CAS Consulting Pty Ltd
Charles Sturt University
Consortium for Integrated Resource Management
Council of Deans of Nursing and Midwifery
Curtin University of Technology
Deakin University
Edith Cowan University
Entrepreneurs in Science
Flinders University
Government of Western Australia – Department of Industry and Resources
Government of Western Australia – Office of the Minister for Education and Training
Griffith University
James Cook University
Monash University
National Association of Graduate Careers Advisory Services
National Liaison Committee for International Students in Australia
New South Wales Government – Office of the Minister for Education and Training
Northern Territory Government – Department of Education, Employment and Training
Queensland Government – Department of Education, Training and the Arts
RMIT University
Tasmanian Government – Office of the Minister for Education
The University of Adelaide
The University of Melbourne
The University of Newcastle
The University of New England
The University of New South Wales
The University of Sydney
The University of Western Australia
Tuscon Pty Ltd
University of Southern Queensland
University of Tasmania
University of Technology Sydney
University of the Sunshine Coast
University of Western Sydney
Victoria University
Victorian Government – Office of the Premier

Notes

- ¹ Universities Australia, *A National Internship Scheme – Discussion Paper*, Canberra, October 2007. <http://www.universitiesaustralia.edu.au>.
- ² Universities Australia, *Australian University Student Finances 2006: Final report of a national survey of students in public universities*, Canberra, August 2007. <http://www.universitiesaustralia.edu.au>.
- ³ Macquarie University's recently announced Global Futures Program and associated partnership with Australian Volunteers International will commence in 2010 in conjunction with the University's new curriculum. Under these new initiatives, all Macquarie undergraduate students will be required to undertake some form of community work as part of their studies. *Macquarie University and AVI announce unique global community service*, May 8, 2008 <http://www.pr.mq.edu.au/events/index.asp?ItemID=3385>
- ⁴ G. Healy, "Business to back internships", *The Australian*, 2 April 2008, p. 33.
- ⁵ Universities Australia, *ibid.*, p. 50.
- ⁶ In terms of the Commonwealth Treasury's framework of the three Ps: Population; Participation; and Productivity, each can be enhanced significantly by a National Internship Scheme. Even the population element may be enhanced by increasing the likelihood of international students desiring to remain in Australia.
- ⁷ Australian Education International, *2006 International Student Survey; Higher Education Summary Report*, Canberra, September 2007. <http://aei.dest.gov.au/AEI/Shop/Products/Publications/Publication604>.
- ⁸ Australian Council for Educational Research (ACER), *Longitudinal Survey of Australian Youth: Codebook: The LSAY 1995 Year 9 Sample Wave 12 (2006), Technical Report Number 40*, April 2006 - http://www.acer.edu.au/documents/LSAY_TechRep40.pdf; and Codebook: The LSAY 1998 Year 9 Sample Wave 9 (2006). http://www.acer.edu.au/documents/LSAY_TechRep39.pdf.
- ⁹ ACER, *Longitudinal Survey of Australian Youth*, *ibid.*
- ¹⁰ Business, Industry and Higher Education Collaboration Council (BIHECC) *Graduate Employability Skills*, Commissioned Report, Canberra, August 2007, p.32. <http://www.dest.gov.au/NR/rdonlyres/E58EFDBE-BA83-430E-A541-2E91BCB59DF1/18858/GraduateEmployabilitySkillsFINALREPORT.pdf>
- ¹¹ G. Withers, "Immigration" in I. McAllister, Steve Dowrick, Riaz Hassan (eds), *The Cambridge Handbook of the Social Sciences in Australia*, Melbourne, Cambridge University Press, 2004 edn, pp. 74-93.
- ¹² Business Council of Australia, *Engaging Our Potential: The Economic and Social Necessity of Increasing Workforce Participation*, October 2007. <http://www.bca.com.au/Content.aspx?ContentID=101208>.
- ¹³ Australian Bureau of Statistics, *International Trade in Goods and Services* (ABS 5368.0), Canberra, February 2008.
- ¹⁴ P. McDonald and G. Withers, *Positive Immigration Strategies*, Canberra, The Academy of Social Sciences in Australia, 2007 (forthcoming).
- ¹⁵ AEI, *2006 International Student Survey Report*, September 2007, p.28.
- ¹⁶ BIHECC, *Graduate Employability Skills*, August 2007, p.2.
- ¹⁷ BIHECC, *ibid.*
- ¹⁸ BIHECC, *ibid.* p.37
- ¹⁹ Committee for Melbourne Higher Education Taskforce, *Higher Education at a Tipping Point*, Melbourne, August 2007. http://melbourne.org.au/tmp.anchor.net.au/fileadmin/user_upload/file_upload/Final_Higher_Ed_white_paper_02.pdf
- ²⁰ Committee for Melbourne Higher Education Taskforce, *ibid.* p.5

²¹ "Student Scheme Defended", The Australian Financial Review, 28 March 2008, p 6.

²² BIHECC, *ibid.* p.32.

²³ Australian Government, *Australian Apprenticeships: Going the Distance*, a guide to Australian Government Initiatives, Canberra, 2008.

²⁴ Consider for instance Malaysia's Human Resource Development Master Plan and how it has led to a strategy for improving education, training and learning systems across all levels and integration of these with each of national industrial relations, business management and innovation systems. Particular implications for Australia include new ambitions for Malaysia to become an education exporter, skilled migration recipient, and to impose knowledge transfer obligations on foreign investment. See Malaysia's *Vision 2020*:

<http://www.epu.jpm.my/New%20Folder/development%20policies/cont%20key%20policies/vision.htm>

The 9th Malaysia Plan – 2006-2010: <http://www.epu.jpm.my/rm9/english/Contents.pdf>

Related Malaysian economic development policies:

<http://www.epu.jpm.my/New%20Folder/development%20policies/keypolicies.htm>

²⁵ Business Council of Australia, *Restoring our Edge in Education: Making Australia's Education System its Next Competitive Advantage*, Melbourne, August 2007. <http://www.bca.com.au>.

²⁶ Group of Eight, *Seizing the Opportunities: Designing new policy architecture for higher education and university research*, A Group of Eight Discussion Paper, Canberra, June 2007. <http://www.go8.edu.au>.

²⁷ The Hon Julia Gillard MP, *Second Reading speech – Skills Australia Bill 2008*, House of Representatives, 14 February 2008.

²⁸ See Review of the National Innovation System: <http://www.innovation.gov.au/innovationreview>.

Review of Australia's Higher Education System: http://www.dest.gov.au/sectors/higher_education/policy_issues_reviews/reviews/highered_review/default.htm.

²⁹ All 39 Australian Universities are used to derive costings for the Internship Scheme.

³⁰ This assumes 39 university single point-of-contact officers and 41 industry and community association single point-of-contact officers. Large corporations and government departments are assumed to have such officers in place or they are to be organised at their own expense. A salary of \$100k is specified, with on-costs, expenses and overheads doubling this to \$200k.

³¹ Ten sub-deans for each of 39 universities at \$50,000 direct cost plus 50% support cost each is \$29.2m per annum. This is a conservative estimate as it represents a small salary loading only for additional duties.

³² Assuming an annual part-time wage of \$15k applied to half of the average 140k students eligible in any one year during their degree for a single year internship.

³³ Based on 144,000 Youth Allowance and Austudy recipients in higher education, who on conservative estimates currently receive a minimum full rate of \$190 per fortnight. Costs could be reduced or controlled by funding under the Scheme for new internships only, so that windfall gains or cost-shifting does not occur for existing funded schemes.

³⁴ Graduate Careers Australia - starting salary \$40,000 with 110,000 completions, half with internships with out-years discounted at 10% per annum. Higher Education Funding Council for England (HEFCE) research finds that "relevant work experience during the degree program had a highly positive influence on employability" (G. Mason et al, *How Much Does Higher Education Enhance the Employability of Graduates?*, London, HEFCE, August 2003). http://www.hefce.ac.uk/Pubs/rdreports/2003/rd13_03/.

³⁵ Business Council of Australia, *Australia's Population Future: A Position Paper*, Melbourne, April 2004. <http://www.bca.com.au/Content.aspx?ContentID=94856> (BCA Publication Archive: 2004 Reports).

³⁶ The Carrick Institute for Learning and Teaching in Higher Education has recently funded a stocktake of work-integrated learning project across eighteen universities.