

GENERAL PURPOSE STANDING COMMITTEE NO. 6

INQUIRY INTO VOCATIONAL EDUCATION AND TRAINING

IN NEW SOUTH WALES

At Sydney on Tuesday 22 September 2015

NSW BUSINESS CHAMBER

QUESTIONS ON NOTICE

CHAIR: Should we be reducing the driving age so kids are able to drive to courses?

Access to training is an issue for young people in regional and remote locations. Difficulty with access can be exacerbated for those who do not have a drivers licence. NSW Business Chamber does not have a position regarding changes to the driving age. Perhaps the issue of licence concessions in regional and remote areas could be further investigated by the relevant government authority.

The Hon. DANIEL MOOKHEY: Are you able to provide us on notice with any suggestions you would have as to how the IPART model should be adjusted so it can deliver quality across the education and training system? The last sentence of the dot point in that document says that performance and excellence criteria should be introduced for RTOs via an industry-driven star rating system. Presumably the reason you are calling for that is because you think there is some information asymmetry in the market that could be corrected by a rating scheme?

The Chamber recognised that IPART's methodology developed to set prices aimed to replicate the outcomes that would be achieved in a fully competitive market. The Chamber also noted IPART's analysis suggested that, without fee increases the NSW Government would provide around 61,000 fewer subsidised VET places in 2014/2015, compared to if fees are increased.

NSW Business Chamber supported the following recommendations in the final IPART report and believes the NSW Government should revisit these recommendations:

33. Student fees should be specified as the maximum fees RTOs can charge, so they are able to charge lower fees if they choose. There should be an accompanying minimum fee equal to 50% of the maximum fee. The removal of fee regulation should be decided after the first major reset of base prices and fees in 2017.

38. DEC should publish additional information about individual RTO performance to help students and employers assess potential providers' quality before making training decisions. In considering how to publish this information, it should consider what is already available on national websites, to avoid duplication.

39. RTOs should publish information on any personal costs a student will incur in studying a qualification.

Recommendations 38 and 39 should not be implemented in isolation from total VET activity data collection or the provision of information about providers produced by the Australian Skills Quality Authority. The information could be used to inform the rating system proposed by the Chamber.

The National Centre for Vocational Education Research recently reported that outcomes-based measures of institutional performance can help individuals to make informed choices about where they want to study, and governments to make policy and funding decisions. Their usefulness is highly dependent on the robustness and accuracy of participation and outcomes data and the mechanisms for data collection.¹ It is anticipated that the new total VET activity data² collection will help government and stakeholders get a clear picture of what is happening in VET and who is paying for skills development.

Ensuring that students and employers have adequate information about training providers is critical. Currently, it is difficult to access information about specific training providers, including previous student outcomes, completion rates, alignment of training to labour market requirements and engagement with industry. Just as top hotels are awarded stars based on the quality of their accommodation and fine restaurants can earn hats, VET providers should aspire to receive the maximum star rating for their service to students and industry. The rating system would provide an accessible snapshot of performance that consumers of training could trust.

The concept of a star rating is something that has been a long-held view of industry. There is an opportunity to provide more information to industry and students about the performance of providers. The Chamber's star rating proposal would involve the development and implementation of an industry owned and led star rating system for grading registered training organisations.

Mr MINTO: Employers already do that. Taking on an apprentice is a significant cost in supervision and provision of workplace training. Employers make a significant contribution. There is research showing how much it costs an employer to take an apprentice through the four years of their training.

The Hon. DANIEL MOOKHEY: Are you able to provide that?

TRADE APPRENTICESHIPS:

Costs to employers

A. Wages:

First year - 50% of trade rate for apprentice without year 12

55% of trade rate with year 12

¹ NCVER (2015). *Regulating and quality-assuring VET: international developments*

² All RTOs must now collect and report 'Total VET Activity' data. This includes full Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS) data, in accordance with the National VET Provider Collection Data Requirements Policy.

Second year - 60% no year 12

65% with year 12

Adult wages over 21 at commencement at least 80% of trades rate (\$746.20 is trades rate)

Competency based progression – Stage 2 after completing 25% of competencies, Stage 3 after 50%, and Stage 4 after 75%.

B. Training fees

Reimbursement by employers for the cost of training fees and prescribed textbooks within 6 months of commencement of an apprenticeship unless unsatisfactory progress.

With some change in training packages, competencies are being added requiring training in year 4, which is where all time is generally spent on the job so payment is being made for time at TAFE. This is an award requirement.

C. Travel costs

Payment by employers of apprentices excess travel costs for attendance at block release training at a distance requiring overnight stay except where an RTO is closer.

D. Low Productivity – particularly in first year

E. Supervisory costs

NCVER estimated a cost over the life of an apprenticeship in 2009 at \$200,000, only half of which is wages. The remainder is supervisory costs, cost of training etc. These costs have risen significantly since this study. *“The apprenticeship model involves a substantial financial commitment from employers. The highest costs to employers are for supervision, as apprentice wages are more or less equal to their productivity.”*³

Benefits – Commonwealth Incentives for commencements and completions. Generally not a significant impact, except for the loss of the mature age apprentice wage subsidy \$13,000 to \$4,000

Business Case is also particularly affected for trades apprenticeships by economic conditions, which do vary from state to state.

NON-TRADES APPRENTICESHIPS:

A. Wages:

Trainee wage – based on school level achieved and years out of school. Lowest is a year 10 school leaver first year out of school \$287 (as compared to 1st year out of school for year 12 cert holders of \$367. Five years out of school for year 10 or 3 years for year 12 \$585. [Current National minimum wage is \$640.90 per week,

³ NCVER (2009) *The cost of training apprentices*

calculated on the basis of a week of 38 ordinary hours, or \$16.87 per hour, with a Casual loading—of 25 per cent)

B. Training fees:

Vary widely – differential between the user choice funding provided by the state governments and the fee charged by RTOs. Major reductions in Victoria, SA for non trades, and reductions in other states.

Benefit: Incentives apply variably but Incentive changes have had a major impact in non-trades