

**INQUIRY INTO VOCATIONAL EDUCATION AND
TRAINING IN NEW SOUTH WALES**

Organisation: Housing Industry Association

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SUBMISSION BY THE
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to the
**Legislative Council
General Purpose Standing Committee No.6**
on the
**Inquiry into Vocational Education and Training in
NSW**

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HIA is the leading industry association in the Australian residential building sector, supporting the businesses and interests of over 43,000 builders, contractors, manufacturers, suppliers, building professionals and business partners.

HIA members include businesses of all sizes, ranging from individuals working as independent contractors and home based small businesses, to large publicly listed companies. 85% of all new home building work in Australia is performed by HIA members.



1 Executive Summary

- 1.1.1 The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry representing over 13,000 businesses in New South Wales and over 40,000 members across Australia.
- 1.1.2 The residential building industry includes land development, detached home construction, home renovations, low/medium-density housing, high-rise apartment buildings and building product manufacturing.
- 1.1.3 HIA members comprise a diversity of residential builders, including the Housing 100 volume builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers, and consultants to the industry. HIA members construct over 85% of the nation's new building stock.
- 1.1.4 The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is the key driver of the Australian economy. The aggregate residential industry contribution to the Australian economy is over \$150 billion per annum, with over one million employees in building and construction, tens of thousands of small businesses and over 200,000 subcontractors reliant on the industry for their livelihood.
- 1.1.5 HIA welcomes the opportunity to provide comments to the NSW Legislative Council's General Purpose Standing Committee No. 6 Inquiry into Vocational Education and Training (**VET**) in NSW (**Inquiry**).
- 1.1.6 HIA notes that the Terms of Reference are very broad in scope; the Inquiry, amongst other things, is being asked to consider:
 - The factors influencing student choice about embarking on VET including barriers to participation.
 - The role played by public and private VET providers, including in delivery of services to regional and rural communities.
 - Factors affecting the costs of delivering affordable and accessible training, including the impact of the co-contribution funding model.
 - The level of industry participation in the VET sector.
- 1.1.7 The Terms of Reference also specifically highlight the Smart and Skilled reforms as an area of investigation
- 1.1.8 The VET system underpins the skills capacity of Australia's construction industry, providing the competencies and qualifications to become skilled and licensed to build and renovate the homes of thousands of Australians every year. It is for this reason that HIA has a strong and vested interest in ensuring affordable and easy access to training for all persons wanting to pursue a career in the residential construction industry.
- 1.1.9 HIA supports a VET funding framework that places high priority on industries that rely on VET qualifications as a means of verifying critical skills and competencies for business and occupational licensing prerequisites, have a high demand for skilled labour to ensure productivity, provide career paths and jobs for thousands of Australians each year, and provide a significant contribution to the NSW and National economy.
- 1.1.10 A successful funding framework must be based on an open and competitive market place that treats all training providers in the market in the same way regardless of whether they are publically or privately owned. An open and competitive market allows the user a choice of the course in which they participate and also the training provider, without limiting their ability to access Government funding.

- 1.1.11 A truly competitive market place will shift the focus to the students and employers, improving the quality of training, assessment and most importantly student outcomes, which in turn will improve the productivity, growth and quality of the industry.
- 1.1.12 In line with this position it is HIA's view that the current funding model being applied as a result of the review carried out by IPART in October 2013¹ has skewed the training market and limited student choice. It is HIA's position that the Smart and Skilled program is failing to meet the aims of expanding the skills of the NSW workforce to meet future demands for jobs.
- 1.1.13 In carrying out this Inquiry, HIA recommends that the Committee assess the VET sector within the broader economic and social landscape. The sector must be structured to support HIA forecasts and analyses that show that NSW needs to build more than 50,000 dwellings, year on year, to meet population growth and underlying demand.
- 1.1.14 It is HIA's view that despite the clear pressure that will be placed on skilled trades in the residential construction industry to meet these needs, the NSW VET sector is fraught with road blocks that make participation in the sector largely unappealing; such is clear in light of declining commencement and completion rates for apprenticeships.
- 1.1.15 Despite the desire of employers in the residential construction industry to take on an apprentice they are confronted with a complex and overly burdensome apprenticeships system, the red tape imposed by regulation at a state and federal government level is significantly undesirable and has a negative effect of take up.
- 1.1.16 Further, the failure to identify those trades experiencing current skill shortages as well as those that will experience shortages in the future must be addressed. Without this, putting in place effective ways to address this is significantly compromised.
- 1.1.17 The Governments large scale infrastructure developments and Metropolitan Plan for Sydney to build 664,000 new homes by 2031 can only be delivered if there are those with the skills and knowledge to carry out the work. HIA would urge the Committee to place such matters at the forefront of their considerations when conducting this Inquiry.
- 1.1.18 HIA also submits that the Committee considers that this sector is, and has been, the subject of numerous reviews and discussion papers across the country signally the need for action.²
- 1.1.19 The benefits of skill development are widely recognised, as stated in a 2006 Access Economics Report:
- 'Our living standards per head are a function of the effectiveness with which we work (productivity) and the proportion of us working (participation). Importantly, improved skills development (such as via VET studies to improve work skills) can do both of these. As economists have increasingly noted, not merely does increased investment in skills show up as more productive workers, those workers also tend to stay in the workforce for longer – thereby boosting participation as well as productivity...'*³
- 1.1.20 It is HIA's submission that given the wide ranging impact of the VET sector and skills development more must be done to support this integral component of the NSW economy.

¹ Independent Pricing and Regulatory Tribunal Final Report - Pricing VET under Smart and Skilled

² For example see, The 2006 NSW Independent Pricing and Regulatory Tribunal Final Report – Up-Skilling NSW, the 2013 NSW Independent Pricing and Regulatory Tribunal Final Report - Pricing VET under Smart and Skilled (**IPART Report**), the Expert Report - A shared responsibility - Apprenticeships for the 21st Century (**Apprenticeship Expert Panel Report**) and the *Reform of the Federation White Paper - Roles and Responsibilities in Education*.

³ Access Economics Pty Limited, 16 June 2006 *Future demand for vocational education and training in NSW* at p.1

2 Impact on Housing Demand on Demand for VET

2.1 Skill Shortages

- 2.1.1 Over the last decade there has been a persistent imbalance between growth in demand for housing and the slow rate at which the nation has added to the housing stock.
- 2.1.2 Australia has experienced strong population growth in recent years driven primarily by a large contribution from net overseas migration. Combined with demographic changes, this situation has added considerably to the demand for new housing, putting pressure on housing prices, new residential construction costs, and on the supply of labour inputs.
- 2.1.3 New South Wales is not immune to these trends, experiencing high levels of building activity, particularly in multi-residential construction, with expectations to build over 50,000 homes year on year just to meet the housing demand as a result of population growth.
- 2.1.4 Building such a large number of new homes places greater demand on the resources of the residential building industry and the industry's suppliers. Inadequate expansion of the housing industry's output capacity under stronger demand conditions may contribute further to price pressures.
- 2.1.5 The two most significant challenges to growing the labour force are the large cohort of workers approaching retirement, and the high rate of attrition amongst new apprentices. In tandem with supporting traditional apprenticeships, government policies must enable more flexible and affordable pathways into the housing industry to facilitate opportunities for career progression and business growth.
- 2.1.6 This can be achieved through:
- Prioritising funding to small business owners to undertake training that will allow them to grow or change their businesses to meet the future housing demand and meet the ever changing regulatory environment.
 - Providing incentives to employers to train and develop employees to meet the growth demands of their businesses and the broader industry.
 - Developing pathways to redeploy the ageing workforce to complement industry activities and provide funding for businesses who support this initiative.
 - Developing and funding intermediate qualifications which recognise defined skills sets as legitimate qualifications prior to completion of a full apprenticeship.
- 2.1.7 The cost of the failure to adequately support businesses in the construction industry to increase their capacity or attract new entrants is extraordinarily high, as it is likely to lead to a substantial skills shortage and potentially a decline in quality of building.
- 2.1.8 In a highly regulated industry such as housing construction the support by all levels of government for adequate training funding is paramount to ensure all Australians have affordable housing and are able to contribute more effectively to the broader economy.
- 2.1.9 HIA urges the New South Wales Government to recognise the residential construction industry as an area of priority for future funding and give consideration to the immediate and ongoing demand for skilled people in the industry.

3 Funding and a Competitive Training Market

- 3.1.1 At the core of a number of the matters the Inquiry is to consider is, 'who pays' and further, what type of funding arrangements can achieve the best outcomes for industry, students and RTO's.
- 3.1.2 It is HIA's position that the VET sector is best served by operating under a competitive market environment being a model based on the notion of *contestability*.

3.2 A Contestable Market

- 3.2.1 VET is currently undergoing many reviews and reforms across Australia at both the federal and state level. With these reforms the term 'contestability' is being used to describe what is to be considered the desired VET framework and essentially the desired operation of the VET market.
- 3.2.2 However to date there has been no clear and confirmed definition of what is a truly contestable market when it comes to the development, delivery and funding of VET. The term 'contestability' in relation to the VET framework, including the funding framework should mean:
- Ensuring that the market place is open and competitive.
 - Allowing all training providers whether publically or privately owned to be funded for a qualification, provided the qualification is on their approved scope of delivery.
 - Allowing for genuine user choice i.e. a person is able to choose their training provider of choice.
 - Focusing on the needs of the students and employers and achieve desired outcomes.
 - Ensuring that industries with a demonstrable need for funding are appropriately funded, i.e. that funding would improve productivity, economic performance and lead to an increase in overall employment.
- 3.2.3 A truly competitive market place will shift the focus from RTOs to the students and the employers. In a truly user-choice system where the funding is provided to the student and/ or the employer, the students and their employers will be looking to undertake training that:
- delivers the requisite training outcomes and competencies;
 - provides and meets their service delivery expectation; and
 - provides value for money.
- 3.2.4 This will force training providers to improve their training offering, provide more flexible delivery options, improve quality of training, assessment and most importantly student outcomes, which in turn will improve the productivity, growth and quality of the industry.
- 3.2.5 In simple terms, if an a nationally accredited RTO has a course on their scope that the state government has allocated funding for, there should be no reason a student can't go to this RTO and have access to this funding regardless of whether the RTO is "approved" or "not approved" by the state government. There should not be such an approval process.
- 3.2.6 The current government interpretation of 'contestability', where funding is provided to certain RTOs (namely publically funded RTOs) for students undertaking certain types of courses, does not provide a level playing field and perpetuates the issues of quality, value for money and delivery flexibility.

3.3 NSW Reforms

- 3.3.1 NSW is the latest state to implement VET reform through its Smart and Skilled initiative which commenced on 1 January 2015 after being announced in 2012. The Smart and Skilled reforms introduced an entitlement to government-subsidised training in selected VET courses and qualifications up to and including Certificate III. To support this, the Government published a skills list that defined the courses and qualifications available.
- 3.3.2 A key feature of the reforms was said to be that *'government subsidies for entitlement training will follow the student, rather than be allocated to specific registered training organisations.'*⁴ However the practical reality of the Smart and Skilled reforms has been the opposite – the setting of a 'Qualification Price' has worked against the notion of a competitive training market and has ultimately restricted user choice.
- 3.3.3 The fee arrangements set by the NSW Government were the result of an extensive review outlined within the IPART Report mentioned above. By and large the review determined methodologies as to how the pricing and subsidies should be set and operate.
- 3.3.4 In determining the price the IPART Report states:
- 'the methodology for setting base price aims to replicate price outcomes that would be achieved in a fully competitive market for VET. In particular it aims to set base price to reflect the efficient costs of providing the training to the required quality standard to a standard student'.*
- 3.3.5 The price is comprised of the Fee and the Subsidy and is ultimately determined in accordance with the Smart and Skilled: 2015 Prices, Fees and Subsidies (**Price Policy**). By way of example the Price Policy sets the qualification price for a Certificate IV in Building and Construction at \$9,600, the Student Fee (for the first qualification) is set at \$2,420, the amount of the Government subsidy is the difference between the 2 amounts i.e. \$7,180.
- 3.3.6 Both the Qualification Price and the Student Fee have been set in accordance with the methodology outlined within the IPART Report. Notably the Qualification Price is based on the price as it would have been determined in a competitive market and, by implication expresses a view on the minimum cost that would need to be charged more broadly across the market.
- 3.3.7 Therefore, those entities not in receipt of funding through the Smart and Skilled reforms at a minimum would need to charge the Qualification Price – significantly higher than the price an RTO in receipt of the funding charges.
- 3.3.8 In HIA's view this raises questions as to the effect of such arrangements on the ability of RTO's not in receipt of the subsidy to compete in the market. In adopting this methodology the subsidy remains with the RTO and does not in fact following the student, this limits both competition and student choice.
- 3.3.9 It is of note that in February 2015 the NSW Government announced further measures aimed at supporting apprenticeships and traineeships. The *Reskilling NSW* plan aims to provide:
- \$48 million for fee-free scholarships for 200,000 concession-eligible 15-30 year olds to undertake government-subsidised vocational education and training certificate courses, with priority given to concession eligible social housing residents;

⁴ IPART Pricing VET under Smart and Skilled Final Report (October 2013)

- \$27 million for workplace learning for over 40,000 government school students each year who enrol in a vocational education and training course as part of their HSC; and
- \$8 million to provide viable pathways into education, training and employment for young people in regional areas.

3.3.10 While HIA were supportive of these measures *Reskilling NSW* does not target underlying skill shortages in the residential construction industry. In HIA's view more needs to be done to ensure we have the skilled trades necessary to meet housing demand.

3.3.11 Particularly, measures aimed at promoting trades as a career must be a priority. HIA would commend the following recommendation of the Apprentice Expert Panel to the Inquiry:

*'Implement a strategy to raise the status of apprenticeships and traineeships including promotion as a valued career choice for both males and females.'*⁵

3.3.12 At the time of the announcement of *Reskilling NSW* HIA became a signatory to a Compact between industry and the NSW Government aimed at increasing apprenticeships and traineeships. Disappointingly, while HIA had been advised that further work was to be done in order to bring to fruition that outlined within the Compact, to date this has not been progressed. Additionally, HIA had from the outset, identified a critical failing of the Compact in that it is not supported by any funding measures.

3.3.13 Also of relevance are the outcomes of a recent Performance Audit of the VET reform in NSW. The Audit found that the NSW Government is addressing the VET reform objectives in the following order:

- No extra cost (budget neutral)
- TAFE viability
- Quality VET
- Access to VET regions and equity groups
- More contestability
- Student choice⁶

3.3.14 Reflecting on this finding the Auditor –General, Grant Hehir stated:

'the Government is more likely to maximize public value from its investment in VET if it takes a more balanced approach by putting more emphasis on increased contestability and student choice'.

3.3.15 In light of the discussion above, HIA would support this observation by the Auditor-General.

3.3.16 Of concern is that the Performance Audit also found that:

*'...the framework does not fully address the overarching government goal of increasing the skills base of the NSW people. The VET reforms budget neutral objective, its pricing structure and the incentives for efficiently mean that it is unlikely to generate the funds needed to meet the State Plan goal to increase the proportion of working-aged people with post-school qualification at Certificate level III and above by 50 per cent by 2020.'*⁷

⁵ Apprenticeship Expert Panel Report at p.15
⁶ New South Wales Auditor-General's Report – Performance Audit – Vocational Education and Training Reform, January 2015 at p.15

⁷ Ibid at p.15

- 3.3.17 While the NSW Government has made attempts to reform the VET sector more needs to be done, particularly in the residential construction industry, given the states housing supply needs and the significant financial benefit to the states economy.

4 The Apprenticeship System

- 4.1.1 The apprenticeship system has a vital role to play in redressing both youth unemployment and skill shortages, critical issues to be addressed by the Inquiry. However, in HIA's view the current approach to the VET sector does very little to resolve these complex issues and, in fact often adversely impacts attempts by business and industry to address them.
- 4.1.2 Current NCVER data⁸ shows that as at 30 September 2014, there were 341,300 apprentices and trainees in-training, a decrease of 18.4% from the same time the previous year. Further when comparing the 12 months to 30 September 2014 to the same timeframe the previous year, the data shows that:
- Apprentice commencements decreased by 23.9%.
 - Apprentice completions decreased by 20.4%.
- 4.1.3 These figures are of considerable concern and dictate the need for further reforms to redress the current lack of take up and completion of apprenticeships.

4.2 State and Federal Regulation

- 4.2.1 The ease with which participants can enter the VET sector directly impacts on participation in it by students, employers and RTO's.
- 4.2.2 In HIA's submission, at present the regulation of the VET sector at both a state and federal level in conjunction with the complex nature of a relationship involving those 3 parties (the student, employer and RTO) acts as significant barriers to entry.
- 4.2.3 HIA would welcome moves to streamline and simplify these relationships; in HIA's view such moves would encourage participation in the VET sector.
- 4.2.4 In NSW the VET sector is regulated by:
- The *Apprenticeship and Traineeship Act 2001* (the '**NSW Apprentice Act**') and *Apprenticeship and Traineeship Regulation 2010*.
 - The Australian Skills Quality Authority which regulates VET providers and accredited VET courses impacting on the states delivery of VET.
 - Federal workplace relations laws, notably Modern Awards and *Fair Work Act 2009* (the '**Act**') apply.
- 4.2.5 The NSW Government has also made commitments through the Council of Australian Governments under the National Agreement for Skills and Workforce Development which also impact on the operation of the NSW VET sector.
- 4.2.6 Pertinent to this examination is the Apprenticeship Expert Panel Report which noted:
- 'The current system suffers from administrative confusion as governance structures, responsibilities and custodianship of the system remain unclear to many users.'*⁹
- 4.2.7 By way of example the cancellation, suspension and termination of a training contract is particularly problematic and highlights the complex interaction between state and federal regulations.

⁸ NCVER 2015, *Australian vocational education and training statistics: apprentices and trainees 2014 –September quarter*, NCVER, Adelaide

⁹ Apprenticeship Expert Panel Report, p.9.

4.2.8 This situation is at odds with the Apprenticeship Expert Panel Report which recommended the:

‘Facilitat [tion] [of] a cooperative and flexible approach by governments and industry bodies to allow for the continuation of both training and employment of apprentices and trainees during periods of economic downturn’.¹⁰

4.2.9 When considering the termination of an apprentice, aside from general workplace laws an employer must also consider a further ‘layer’ of legislative requirement as the training contract must also be ‘cancelled’. This is regulated by the relevant state or territory training legislation.

4.2.10 The term ‘cancellation’ is not recognised in the industrial relations sphere however the effect of taking these actions may have ramification in the workplace relations space.

4.2.11 While the training contract and employment contract must operate ‘hand in hand’ throughout the apprenticeship, in practice, there is a clear disconnect between the cancellation of the training contract and the termination of an employment contract; the relevant legislative instruments do not interact in a cohesive manner.

4.2.12 The NSW Apprentice Act requires that an employer and an apprentice terminate a contract of training by mutual consent. The NSW Apprentice Act imparts obligations on both parties to lodge for cancellation of the apprenticeship, or otherwise provides for a dispute resolution process where the parties do not consent to the cancellation.

4.2.13 The competing instruments fail to acknowledge the conflicting timeframes for notice of termination for the purposes of the employment contract, and the time frames involved for the purposes of cancelling the training contract.

4.2.14 The cancellation of the training contract can take a significant period of time. Where an application for cancellation is made by only one party and not by consent, the other party is given 21 days to respond. Where the cancellation is disputed the matter is dealt with by the Vocational Training Tribunal of New South Wales, by a conciliation process and thereafter arbitration, in contrast the termination of employment, is by clear notice (or payment in lieu of notice) as provided for within the Award and/or the Act.

4.2.15 Effectively the inconsistent timeframes can result in the training contract being at an end while the employment contract is on foot raising questions as to whether the apprentice is classified as an ‘apprentice’ for the purposes of engagement, or the employment contract being at an end while the training contract is on foot raising questions as to whether the apprentice should be gainfully employed during this period.

4.2.16 Difficulties are also faced by employers and apprentices when trying to reconcile the ability to ‘suspend’ a training contract, with Award conditions and obligations arising under the Act.

4.2.17 Under the NSW Apprentice Act ‘suspension’ refers to placing an apprenticeship or traineeship “on hold” temporarily. This option is available to allow a degree of flexibility in training arrangements to assist both parties to fulfil the training contract.

4.2.18 An employer may seek a suspension if:

- they are closing their business temporarily; or
- there is a seasonal lack of work.

4.2.19 Apprentices and trainees can seek a suspension if:

- they are recovering from an illness;
- participating in a sporting event; or

¹⁰ Apprenticeship Expert Panel Report, p.14.

- going on an exchange program.

4.2.20 Applications can be made individually or by consent.

4.2.21 The concept of suspending a training contract is not contemplated by the Act, which only allows for employment to be 'paused' in a limited number of circumstances.

4.2.22 Section 524 of the Act provides that an employee may be 'stood down' without pay in the following scenarios:

- industrial action;
- a breakdown of machinery or equipment, if the employer cannot reasonably be held responsible for the breakdown; or
- a stoppage of work for any cause for which the employer cannot reasonably be held responsible.

4.2.23 As such, an employer or an apprentice seeking to suspend a training contract must continue to be paid for fear of breaching the Act; this outcome is at odds with the underlying policy intent of enabling a training contract to be suspended.

4.2.24 The inflexible approach to the working arrangements in the apprenticeship system hampers attempts to further the goals of improving workforce development.

4.3 Competency Based Wage Progression (CBWP)

4.3.1 HIA notes that the Terms of Reference specifically look to *'the level of industry participation in the vocational education and training sector, including the provision of sustainable employment opportunities for graduates, including Competency Based Training and the training packages to workforce requirements'*.

4.3.2 The residential construction industry has had a unique experience with the introduction of Competency Based Training.

4.3.3 In 2014, CBWP was introduced into the Modern Award system, specifically the *Building and Construction General Onsite Award 2010 (Onsite Award)*¹¹. Most apprentices in the residential construction industry fall within the coverage of the Onsite Award.

4.3.4 HIA supports Competency Based Training and is not opposed to the principle that apprenticeship wages progress correspondingly with training progression; however it is HIA's view that the insertion of CBWP provisions into the Onsite Award was premature and did not address the relative complexity of introducing this concept across all training jurisdictions including NSW via the Onsite Award.

4.3.5 This outcome has simply introduced another hurdle in front of employers when considering engaging an apprentice.

4.3.6 By and large, CBWP must be pursued as a cultural shift, in concert with industry bodies and employers. As recommended by the Apprenticeship Expert Panel Report:

*'Promote a culture of competency based progression in apprenticeships and traineeships, in partnership with industry bodies and employers. Additionally, a greater acceptance and achievement of competency-based wage and training progression should be supported by all stakeholders.'*¹²

4.3.7 For example the *Manufacturing and Associated Industries and Occupations Award 2010 (Manufacturing Award)* provides for CBWP. Under this award, progression is based on the completion of certain percentages of the competency points as opposed to the completion of percentages based on competency standards.

¹¹ See *Re Modern Awards Review 2012—Apprentices, Trainees and Juniors* [2013] FWCFB 5411.

¹² Apprenticeship Expert Panel Report Recommendation 12 at p.94.

4.3.8 Notably this system is characterised by:

- Agreement between industry groups as evidenced in the document entitled *'National Metal and Engineering Industry Competency Standards Implementation Guide'*¹³ (**Implementation Guide**).
- Agreement at a national level as to the use and implementation of competency based progression through each of the states.
- The use of a points system on which to base the progression of an apprentice through competencies. This points system reflects that not *'all skills are equally complex, so it is unrealistic to develop competency standards in which each competency unit represents an equal 'amount' of competence'*.¹⁴
- Further to this Table 1 and Table 2 of the Implementation Guide sufficiently highlight the intricate nature of measuring and weighing competencies in order to ensure true progression through an apprenticeship based on the attainment of competence.

4.3.9 The Implementation Guide also notes that the system is complex:

*'The competency standards for the metal and engineering industry consist of nearly three hundred separate competency units which identify the elements of skill and performance criteria necessary to perform a vast range of jobs in the industry.'*¹⁵

4.3.10 The move to competency based progression in the metal trades and manufacturing industry did not only occur through changes to industry awards, there was also a change in mindset focusing on a structure that was based on skills and the system was tested and trialed through Model Implementation Programs.¹⁶

4.3.11 The development of competency based progression under the Manufacturing Award demonstrates a process that involved significant consultation, agreement at an industry level, agreement at a national level and agreement at a state level to implement and support the system.

4.3.12 In contrast to the approach taken within the Manufacturing Sector, CBWP has been thrust upon the residential construction industry, without appropriate consultation; in HIA's view the industry and State Training are ill-equipped to implement what is now contained within the Onsite Award. This outcome will adversely impact on participation in the VET sector.

4.3.13 Further, the complexity of assessing a level of 'competence' is well reported.

4.3.14 For example, a report by the University of Sydney for Group Training Australia highlighted that in order to deliver competency based progression *'a disaggregation of skills must occur which is 'modularised', 'flexible' and 'atomised.'*¹⁷

4.3.15 Further a report by NCVER articulated that *'on the surface, competence seems to be a simple concept. However as this review will show (the) simplicity melts away to reveal something which is conceptually far more complex.'*¹⁸

4.3.16 To add to this complexity it is generally accepted that *'competency based progression can only be achieved through collaboration of all stakeholders in the apprentice and trainee education and development process.'*¹⁹

¹³ <http://www.mskills.com.au/DownloadManager/downloads/Competency%20standards%20implementation%20guide.pdf>
<accessed 230715>

¹⁴ Implementation Guide, p.14.

¹⁵ Implementation Guide, p.2.

¹⁶ Implementation Guide, p.8.

¹⁷ *A step into the breach: Group Training initiatives and innovations using competency based progression* The University of Sydney prepared for Group Training Australia, June 2012 p.32.

¹⁸ Guthrie, H (2009) *Competency and competency-based training: What the literature says*, NCVER p.18.

- 4.3.17 Consequentially of central importance to the effectiveness of competency based progression is co-operation from the state training authorities. However, it has been over 12 months since the introduction of CBWP and there is no evidence that the individual states, including NSW have a consistent and reliable means of assessing competence for the purposes of wage progression. A lack of certainty as to how and when wage increases will apply throughout an apprenticeship is a clear disincentive to engage in the VET system.
- 4.3.18 If the apprenticeship system is to be based on competency based wage progression, it must be genuinely competency based and as such requires a comprehensive, well-structured framework within which the competencies of apprentices can be accurately assessed; such a system does not currently exist.
- 4.3.19 Queensland has also operated a form of CBWP for some time however in practice the system largely relies on the time-based default mechanism for progressing further into the apprenticeship. Wage progression is determined by reference to points or a percentage system which purports to equate with the “competencies” achieved under the ATQF training package.
- 4.3.20 However the experience from Queensland suggests that the time of progression is simply reduced, by around 3 months. This is due to the very structure of the apprenticeship incorporating on and off the job training which takes the same amount of time regardless of the progression structure in place.
- 4.3.21 In a similar vein to that found in the Manufacturing sector, the Queensland System is unique and underpinned by detailed arrangements to ensure that the system can effectively be implemented such as the use of Supervising Registered Training Organisations (**SRTO**) who are responsible for delivering the training under an established training plan.
- 4.3.22 It is also significant that there are a range of assessment strategies in place to ensure that the attainment of competence is adequately measured including:
- SRTO complete the assessment off-the-job and verifies the on-the-job competence by working in partnership with workplace supervisor.
 - By agreement, the SRTO provides full simulated assessment in an off-the-job setting that mirrors workplace requirements.
 - Assessment through recognition of prior learning by SRTO where apprentice/trainee presents with appropriate knowledge and skill (at any point throughout training contact period).
 - Workplace assessment where qualified workplace assessor attends the workplace to observe practical tasks, together with off-the-job assessment of underpinning knowledge and skills.
 - Co-assessment where assessor negotiates with and provides appropriate resources for employer to conduct the assessment on behalf of SRTO, this is because:
 - The SRTO assessor has the assessment competencies and the workplace supervisor has the vocational competencies.
 - The SRTO assessor has both competencies but has negotiated workplace assessment as an effective strategy for the parties.
 - The workplace has a qualified assessor to conduct the assessments on behalf of the SRTO.

¹⁹ The University of Sydney, above n 16, p.16.

- 4.3.23 The comprehensive framework's that underpin both the Queensland and manufacturing sector approach does not currently exist in NSW.
- 4.3.24 Problematically, the uncertainty of the assessment of 'competence' under the CBWP model is further complicated by the linkage with wage progression, a report by CIE identifying concerns that part of the rationale for competency based progression is to advance faster through the apprenticeship and therefore achieve higher wages.²⁰
- 4.3.25 Added complications arise in the context of the crediting of a Certificate II qualification towards a Certificate III, how this interacts with the assessment of 'competency' for the purpose of wage fixation is largely unclear.

²⁰ Centre for International Economics (2013) *Increasing Apprentice and Trainee Wages and Conditions in the Building and Construction Industry* p.18.