

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

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Preamble

The Automotive Training Board is a NSW industry training advisory body (ITAB) that provides advice to the NSW Government and to the industry areas of automotive, transport, logistics, aviation, maritime and rail industries on matters related to policy, funding, skills priorities and delivery of vocational education and training.

Overview of areas of ITAB coverage

The Australian motor vehicle market is one of the most competitive in the world. There are more than sixty passenger vehicle brands on sale within a market that purchases just over one million new vehicles annually.

Whilst Australia consumers have a greater level of product choice than most, the challenge for industry is keeping abreast of the technology being introduced into the market and providing suitably trained technicians to repair and service these products.

As manufacturing will no longer play a key role in Australia, the focus of industry will be in the areas of sales, service and the repair of motor vehicles and components, which will represent more than 95% of all activity.

As the industry continues its transition towards a new business landscape, it will still remain a significant economic entity that will employ around 340,000 people after 2017. With the nation's on-road stock of vehicles approaching 18 million and the continual addition of almost half a million extra vehicles a year, this can only have positive effects on career prospects and future employment within the industry.

The Transport and Logistics Industry was estimated to account for 8.6 per cent of GDP in 2013, contributing \$131.6 billion to the Australian economy. Freight volumes have nearly tripled over the past three decades and passenger movements through Australian airports have more than quadrupled. By every measure in every mode, transport and logistics activity continues to increase.

Adoption of new technology within the industry and changing patterns of world economic activity are revolutionising supply chains. Technology – such as automation, robotics and the field encompassed by 'Big Data' – is improving the efficiency, speed and control of supply chains, supporting better forecasting, reducing risk, improving the customer experience and creating ways of meeting new customer demands.

Combined with the explosion in micro supply chains caused by the growth in online shopping, the Transport and Logistics Industry faces a future where it needs a better-skilled workforce working smarter and more efficiently using nation-wide infrastructure able to cope with a massive freight task.

Since the introduction of competency based training, significant changes have occurred across the vocational education and training sector.

For the most part, these changes have enabled a new style of learning and recognition to occur which has in many instances encouraged people of all ages to engage with training.

However, in recent years, there have been a number of changes at both Federal and State level which together have eroded employers' confidence in the system leading to a decline within the take-up of both apprenticeships and traineeships.

Industrial instruments have changed significantly which have added additional imposts to employers. While many of these changes are of great benefit for encouraging people to enter industry sectors, the result of these changes have had an impact, where employers have already restructured rosters and cut back on staff hours to cope with increases to employee wages and entitlements. As recognised across a number of Industry Skills Councils 2015 environmental scans, business survival over the next one to five years is now listed as a significant issue for many respondents.

Smart and skilled in its original roll out phase on January 1, 2015 impacted significantly on the industry areas which the ITAB has coverage of.

Flexibility within training

For many, the decrease in the number of providers meant that the flexibility afforded by some of the smaller providers was lost. Many of the smaller providers, who may not have had significant numbers of students, offered specialised programs which focussed far more on individuals' needs. In many instances, employers had established relationships with specific providers and the cessation of their ability to deliver under smart and skilled has impacted on these relationships and employers engagement with the VET system.

Given the contestable model which now exists under smart and skilled, there is even less room for TAFE NSW to provide individualised programs which are necessary for students who may not fit the 'traditional' model of learning. With an increasing propensity of blended learning taking place, students with specialised needs are disengaging. This will impact on completions.

Completions have been an issue for a significant period of time and have only added to skill shortages across numerous industries, ultimately impacting on the ability of those industry areas to service the needs of NSW.

In the Transport & Logistics industry, companies need training that meets the flexibility required within the many components of activity within the supply chain. Companies have established

relationships with providers in the past, and each organisation has worked together to ensure that training meets the specific requirements of said organisation. Unfortunately caps provided for RTO's within regions has meant that in a number of instances, the preferred provider was unable to deliver the training required to meet a specific skills set. These companies have then had to look at alternative providers who may not have met their cap within the region. Unfortunately, the other providers were not able to deliver the same level of flexibility and training needs for the companies, and in each instance, the companies determined not to move ahead with the training. This not only resulted in a large cohort not undertaking training, but has meant that no training has occurred for these companies since the difficulties they faced not being able to access specific training.

One of the most significant outcomes under smart and skilled has been the decrease in face to face hours for those in training. As an example, up until July 1 of this year, TAFE NSW was the only provider who was able to deliver AUR30612 Certificate III in Light Vehicle Mechanical Technology to new apprentices as at 1 January 2015. This area is one that has the most significant skills shortages across the automotive industry as per the table below.

Priority skill shortages – NSW and ACT combined

SECTOR	OCCUPATION	ESTIMATED SHORTAGE (NUMBER)
Motor Vehicle Body and Trailer Manufacturing	Welder/Fabricator	78
Automotive Repair and Maintenance	Light Vehicle Mechanic	2,561
	Diesel Motor Mechanic	576
	Panel Beater	1,329
	Vehicle Painter	886
	Automotive Electrician	217
	Vehicle Trimmer	60
	Motorcycle Mechanic	100
	Service Adviser/Manager	130
Motor Vehicle and Parts Wholesaling	Spare Parts Interpreter	200
	Parts Salesperson	102
	Administration	55
Motor Vehicle Retailing	Salesperson	250
	Car Detailer	139
Motor Vehicle Parts and Tyre Retailing	Spare Parts Salesperson	117
	Spare Parts Interpreter	98
	Tyre Fitter	190
Bicycle Retailing	Bicycle Mechanic	120
Marine Equipment Retailing	Marine Mechanic	58

Source: 2015 Automotive Environmental Scan Survey; modelled ABS labour force data.

Due to the increasingly competitive environment under smart and skilled, TAFE NSW has reviewed its service models. The new models that now exist have impacted significantly on the type of training occurring, particularly in the light vehicle sector.

Funding

As a part of this reduced funding to TAFE NSW, many Institutes are redesigning the way in which they deliver apprenticeships. For example, some colleges will reduce the number of face to face delivery hours, shortening the traditional 36 months to 30 months over the life of the qualification. This will place an additional burden on employers to fill the training void.

Employers who were used to the 36 week delivery pattern in trade areas have found that in many instances, this delivery pattern has now become 26 weeks per year. Although alleviated in part by additional access to Moodle based facilities, this new strategy impacts on what can be delivered in what is essentially a compressed teaching time. This compressed teaching time, in combination with the competency based completion model, means that for employers, they perceive a much shortened period of training, combined with a model which invites both apprentices and employers to agree to completion at an early point after the finalisation of the (now reduced) off the job component.

Across many Institutes, a single delivery point will occur as of 2016. For many young apprentices, the distance that they are required to travel will significantly increase. This is particularly prevalent for those in regional and remote areas, a major disincentive to taking up any type of training. It should also be noted that this too will impact on employers taking on apprentices; as where an apprentice is required to attend block release training and requires an overnight stay, the employer must pay for the excess reasonable travel costs incurred by the apprentice in the course of travelling to and from such training. Excess reasonable travel costs includes transportation, accommodation and reasonable expenses incurred while travelling, including meals.

Due to the changes within funding for the public provider, those within rural and regional areas will be particularly impacted. With the financial viability of TAFE colleges areas being affected, young people particularly will have little choice as to where they can access training for their future and may well have to leave their communities to allow for post-school opportunities.

The significant increase in costs for the consumer under smart and skilled has had a detrimental affect across all sectors. Due to the increased costs of training, both individuals and industry as a whole are looking to change their training patterns. Students are finding it increasingly difficult to engage with the VET sector when many VET courses are offered on a commercial basis. In a tight labour market, people may find it necessary to achieve higher level qualifications to demonstrate their potential and competence to prospective employers. Student selection of training in the VET

system should be based on their interests, ability and intended career path, not on the price of a course.

The NSW ITAB's report indicates the concern that both individuals' and industry has around future engagement with training¹.

KEY MESSAGES from the NSW ITABs' research with employers and RTOs are that:

- **Investment in vocational education and training is waning**

Over the past year employer investment in VET has declined, relative to investment in training overall and it is unlikely that employer spend on VET in 2015/16 will increase in the current funding environment.

- **Demand for VET "products" is shifting**

With the exception of demand for full qualifications in trade areas and in vocations that require full qualifications for entry level employment or compliance purposes, there is growing demand from employers for skill sets to be used to upskill existing workers. Cost, time and relevance of the training are the major drivers of demand. The use of full qualifications to upskill existing workers beyond Certificate III appears to be declining, particularly in the absence of any significant funding to support existing workers.

- **The cost of VET is a major impediment to its use**

Prices of VET courses have risen significantly in many of the cases reported by respondents, with employers and RTOs calling for the return of "affordable" training. The cost of courses is cited as the one of the main reasons why employers are not embracing vocational education and training.

- **Smart and Skilled is unnecessarily complex**

There are a number of areas about which stakeholders felt strongly, calling for improvements to increase the flexibility and appeal of *Smart and Skilled* to employers and to RTOs. These improvements related to simplifying the funding (eligibility rules and pricing structure for consumers), the administration required of RTOs (including reporting timelines and paperwork requirements) and the rigid rules around regions in which funded training could be delivered. The issue of financial caps was also raised by RTOs as being unrealistic

¹ NSW Industry Training Advisory Boards, 2015, *Vocational Education and Training (VET) in 2015: Views and responses of NSW employers and registered training organisations* (unpublished)

and unworkable, although the Department of Industry has been recently reviewing and adjusting its policy in this area.

- **Employers want more user choice in Smart and Skilled**

Employers and RTOs report that the tender process for Smart and Skilled has resulted in a significant reduction in choice of funded training providers, has damaged long-standing partnerships between employers and RTOs and has not necessarily rewarded the best quality or employer preferred RTOs.

- **The VET system needs to be better communicated to employers in NSW**

The market is struggling to understand how vocational education and training works, particularly *Smart and Skilled*. In recent years employers have had to navigate a series of new Commonwealth funded programs, changes to existing worker traineeship arrangements and most recently, the introduction of *Smart and Skilled*. With little lead time to transition to the *Smart and Skilled* system in 2015, employers and students are confused and becoming disengaged.

The Way Forward: Ideas for Consideration

The NSW ITABs are mindful of the fiscally constrained environment in which funding programs now operate, however there are some areas of policy that could be reviewed as a matter of priority to incentivise and encourage greater consumer use of vocational education and training and to facilitate the delivery of VET by quality RTOs.

We also acknowledge that this research was undertaken 4 - 6 months after the introduction of *Smart and Skilled* when employers and RTOs were still grappling with the implementation of the system. However it is clear from our consultations that more transparent processes and better communication with employers, RTOs and other industry stakeholders may have mitigated some of the issues raised in this research. Improved communication with all stakeholders should be part of any way forward.

There are five areas that require priority attention by the NSW Government to encourage further engagement by employers and training providers in the vocational education and training system.

1. Place the consumer (employers and students) at the centre of the VET system

Develop and market a system that is well communicated and simple to understand and access by consumers; provide flexibility in the system so that employers have the opportunity to work with the quality training providers of their choice; change the current supply-driven model into a truly demand-driven system.

2. Fix the Funding

Allow funded RTOs to set their own administration fees as means of increasing price flexibility; provide additional financial incentives for employers to recruit new and existing worker trainees, provide funding for flexible, responsive skill sets drawn from any qualification, according to employer or student need.

3. Provide greater user choice of funded RTOs

Open up the market to all quality RTOs without restrictions on geographical boundaries for delivery.

4. Assess and monitor quality of RTOs

Use rigorous and transparent assessment processes when selecting and monitoring RTOs; incorporate the receipt of feedback from clients and students and involve an assessment panel made up of industry and Departmental representatives.

5. Test proposed policy changes with VET advisory representatives prior to implementation

When reviewing and/or proposing policy changes associated with Smart and Skilled, involve representatives from industry and training providers to ameliorate any issues or challenges before policies are implemented.

Employers are uncertain about the changes and many have either reduced their apprenticeship intake or held back from engaging employees within traineeships. With a build time of a significant period for the development of a skilled person, it is critical that measures are put in place to assist industry in developing the skills pool for the future.

Any further deterioration in numbers in training has the very real potential to have a significant impact on industry's ability to meet consumer demand for services that underpin much of our NSW economy.