

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

**Organisation:** Australian Industry Group

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# Ai GROUP SUBMISSION

Legislative Council Inquiry into  
Vocational Education and  
Training in NSW

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## **About Australian Industry Group**

The Australian Industry Group (Ai Group) is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries. The businesses which we represent employ more than one million people. Ai Group members operate small, medium and large businesses across a range of industries. Ai Group is closely affiliated with more than 50 other employer groups in Australia alone and directly manages a number of those organisations.

## **Australian Industry Group contact for this submission**

Mark Goodsell Director - NSW

## Executive summary

Ai Group is a strong supporter of workforce development and has been at the forefront of advocating policy as well as implementing innovative practices to assist its members to solve skill shortages. Improving Australia's productivity performance, innovation and leadership are the key economic challenges facing industry. This can only be achieved if employers have access to highly skilled workers, through investment in skill development to assist industry to meet the challenges of a changing workforce as well as bringing high level skills into the economy to build Australia's, and the NSW economy's, skills base. A highly skilled workforce is key to improving productivity and making us more competitive in the global economy. A demand led vocational education and training system that is highly in tune to the needs of industry is critical to meeting the NSW economy's future skill needs.

Ai Group's focus in responding to this Inquiry is to ensure that the broad, foundation principles of the national training system are maintained and strengthened. The system must be industry driven, nationally consistent, outcomes focused and timely and quality assured. It should be based on industry standards in order to meet industry's workforce needs to further advance Australia's economy. Training providers must exist firstly to meet the needs of individual employer/student needs, and not dictate the training delivery. These principles frame Ai Group's discussion of the Inquiry's Terms of Reference and recommendations.

## Summary of Recommendations

- **Effective career advice.** This involves parents, teachers and career counsellors, to better understand the range of tertiary education provision – including VET options.
- **Career education that is practical and exposes school students to employers.** Structured workplace learning and work exposure improves engagement and retention in school, provides an understanding of the vocational pathways available and the nature of possible occupations and encourages the development of ‘employability’ skills, and improved numeracy and literacy skills.
- **Compulsory labour market information** on long term employment prospects for VET courses should be mandatory for the RTOs who offer VET courses. All students should be well informed of what the labour market opportunities are for the VET course they choose.
- **Better selection screening by RTOs,** to ensure that students are well prepared for the language, literacy and numeracy skill requirements of their VET course and that expectations on both sides are met. This could be provided through front end preparation or tutorial support during the VET course.
- **Lifting the STEM skills** of those students entering into VET courses to allow them to confidently enter into the occupations that will have future growth opportunities. This includes a major strategy in the schools sector, but also a strategy to look at the existing workforce so that they can also participate in the growth.
- **Improving public transport infrastructure** to provide access for all students – including metropolitan, regional and remote areas.
- **Clearly articulated pathways between school to VET and VET to higher education.** This will require negotiation between the sectors. Ai Group recommends that the NSW Government moves to facilitate this process and ensures clearly defined pathways.
- **Fund pre-employment and pre-apprenticeship courses** to make sure that young people, migrants and mature age people can participate in the growth expected in NSW – particularly in the VET sector.
- **Maintain delivery in regional and remote areas** and ensure that the training provided is directed to enhance the employment opportunities of people in those regions.
- **Vocational education and training funding** needs to be increased to meet the needs of industry.
- **Monitoring of the co-contribution model** to ensure that fee co-contribution does not act as a deterrent to participation and negatively affect future supply into the workforce.

# Response to the Terms of Reference

This response is organised accordingly to the Terms of Reference for the Inquiry.

## Term of Reference 1

- (a) the factors influencing student choice about entering the vocational education and training system including:
- (i) motivation to study
  - (ii) choice of course, course location and method of study
  - (iii) barriers to participation, including students in the non-government education and home schooling sectors

Factors affecting student choice about entering the vocational education and training (VET) system are complex. Essentially students choose vocational education and training pathways for a variety of reasons. What is important is that once they have made a choice, the experience is a positive one and that they are able to complete. This is often dependent on the information that the student receives before starting the VET course. Critical to this decision is that they are given accurate labour market information that clearly spells out the future opportunities available to the student from that VET course. There is a concern that often students are not well informed before enrolling in the VET course of their choice.

The Australian Constructors Association (ACA) has recently released research focusing on students' views about careers in the construction industry.<sup>1</sup> Whilst confined to one particular industry, this research provides useful insights into the reasons for student choices for VET courses. There is also research by BVET in A Fair Deal a report on apprentices and their employers.<sup>2</sup>

In both research reports there is a group of students that have researched their choice of course, have family or friends working in the occupation/industry, may have completed a related VET in Schools program with work placement, or have undertaken work experience on their own initiative. These are considered to be well informed VET consumers. The BVET report found that in its survey of 1,200 apprentices that 26% were 'Made for a Trade'.<sup>3</sup> This group was well informed and went into their apprenticeship fully aware of what to expect and were the ones with the highest completion rates.

Whilst we acknowledge that apprenticeships are just one part of VET, the research highlighted in the BVET report is useful background as to why students choose VET courses. The report further refers to the 'Contented Stayers' (30%), representing those apprentices who do enter their trade with a positive attitude, are motivated, but will only maintain their VET course if the experience is positive. Again, the motivation to do VET studies may start off as a positive one, but can be deterred if the course, the RTO, or their employer does not provide a good experience.

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<sup>1</sup> Australian Constructors Association, report on-line <http://www.buildyourcareer.com.au/> 2015

<sup>2</sup> A Fair Deal: Apprentices and their employers in NSW, NSW Board of Vocational Education and Training (BVET), November 2011, Mary Dickie, Prof Rod McDonald, Dr Fadel Pedic

<sup>3</sup> Ibid

The 'Accidental Apprentices' (20%) are those young people who just fall into VET studies, either because they missed out on university, couldn't find direct employment and decided to try an apprenticeship. Finally, there are the 'Square Pegs' (24%); students who do not match the apprenticeship of their choice. There are a whole range of causes for this mismatch between the student and choice of VET, relating to poor choice of trade, poor experience in the workplace, but generally a sense of not meeting expectations. This group is "...less likely than other apprentices to have made a deliberate decision to go into an apprenticeship."<sup>4</sup> These groups have lower completion rates and could be cast as the poorly informed VET consumer.

Whilst the BVET report focused on the apprenticeship experience, there are lessons for the broader VET courses. There will always be those who are well informed and make their choice to study VET with a great deal of knowledge, perhaps having done work experience, VET in schools or have family members who are involved in the industry/occupation. This group is generally well informed about their choice and the experience meets their expectations with resulting high completion rates.

At the other end of the scale there are those students who undertake VET courses for a variety of reasons that reflect VET as a second choice; including missing university selection, not able to find employment, deciding that VET courses are a better alternative to unemployment and misinformation from RTOs. Generally this group is not well informed, selects courses on a poor basis and usually do not have a good experience, leading to low completions.

The Fair Deal report referred to some GenY research from Bernard Salt which suggests that this cohort is seeking vocational pathways that offer further opportunities after initial qualifications to expand their knowledge and skills and complete further studies and qualifications.<sup>5</sup> This should be harnessed and not seen as a negative; the fact that young people are ambitious to move forward in their career is positive and should have benefits for employers in the workplace.

Whilst location and method of study may not be a main deterrent for the highly motivated group, some young people have difficulty securing access to public transport. It is important that there is efficient transport infrastructure to support these young people wishing to attend VET courses, not only regional and remote areas, but in some parts of the Sydney metropolitan area as well.

As Bernard Salt's research showed, GenY value flexibility, especially in working hours and arrangements; sport hobbies, friends, travel are important. New technologies enabling work from home or work outside traditional business hours gives them more flexibility.<sup>6</sup> This applies to study options as well.

Recent research undertaken by the ACA found, unsurprisingly, that parents, careers advisers and teachers play a key role in influencing and shaping career decisions. As with other research, young people are more likely to pursue a trade if they have family and/or close friends involved in the trade. It is also interesting to note from the ACA research that young people are concerned about the cost of education, the time required to complete, the consequences of

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<sup>4</sup> Ibid

<sup>5</sup> Ibid

<sup>6</sup> Ibid



making the wrong course choice and potentially wasting time and money, as well as the potential financial struggles of starting an apprenticeship or first job.<sup>7</sup>

## **Barriers**

One of the barriers to participation in VET relates to a lack of career information on VET courses when the students are at school. This just does not apply only to the careers advisers, because the largest influencers are the parents and often other teachers in the school. It requires strong partnerships between school and industry to improve the quality of information that schools can provide to their students so that they make decisions about subject choice that broadens the options for them post-school, particularly around the minimum literacy and numeracy requirements to enter some VET courses.

Ai Group has been consistent in its request that RTOs provide clear labour market information about employment and career opportunities before students enroll in VET courses. We need to be careful to allow people to make informed choices, and not stifle that choice. Good labour market information refers to where the jobs are now, how many people will be needed in the future and how many people are currently studying the VET course that leads to this occupation. Labour market forecasting future skill needs is difficult, it is important that we don't create a situation of directing people into current skill shortage occupations away from other VET courses and creating a long term shortage elsewhere. VET should be highly regarded as providing valuable skills and knowledge that can be transferred to many different employment outcomes.

In addition, a lack of good public transport infrastructure is a problem for some parts of the Sydney metropolitan area as well as for those students in regional and remote areas. This needs to be addressed through better public transport which is beyond the scope of this Inquiry.

Whilst on-line delivery is often mentioned as a way of overcoming barriers to access to VET, it should be noted that on-line methods also present issues. The development of on-line material can be expensive, VET courses by their very nature are hands-on, and sometimes the classroom experience, or work-based learning, is invaluable for the student to be able to achieve a high level of competency in their chosen field of study. VET is a combination of knowledge and skills and hand skills are not well done by distance learning. A blended learning approach that incorporates on-line with more recognition of the on-job work experience should be one of the options.

One of the critical barriers to participation in some VET courses is the lack of STEM skills that students have on completion of school, which prevents them participating in VET courses that require, or have assumed knowledge of, Science, Technology, Engineering and Maths (STEM).

Ai Group's report notes that 75% of the fastest growing occupations require STEM skills and knowledge, and yet young people are not acquiring the STEM skills the economy needs for future prosperity.<sup>8</sup> Employers report significant difficulty recruiting people for occupations with STEM skills. This is particularly for technicians and trades people – the very heart of VET.

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<sup>7</sup> Australian Constructors Association, report on-line <http://www.buildyourcareer.com.au/> 2015

<sup>8</sup>Progressing STEM Skills In Australia, Australian Industry Group, March 2015.

The need for STEM skills has been supported by an NCVER Research Report 2014.<sup>9</sup> Given the expected expansion in the five major growth industries: food and agribusiness; mining equipment; technology and services; biotechnology and pharmaceuticals; oil and gas; and advanced manufacturing, there is a need to prepare entry-level workers to be ready to take up these opportunities in these growth industries. Aside from some perceptions of the poor image in some of these sectors, the other primary barrier is the lack of STEM skills.<sup>10</sup>

Ai Group with the support of the Office of Chief Scientist has commenced a strategic school-industry STEM partnership to assist in addressing this problem. There is a greater need to develop engaging and integrated curriculum as well as expanding the STEM qualified teaching workforce.<sup>11</sup>

Given the expected growth in infrastructure projects in NSW, it is critical that we ensure that all young people and the existing workforce can participate in the employment opportunities that will come with this – this will require a huge investment in raising the STEM skills in the workforce more broadly.

The Manufacturing Skills Australia (MSA) 2014 environmental scan states that ‘...STEM skills are the building blocks required for trade apprenticeships and are key to pursuing the high quality, high skill outcomes manufacturing needs’.<sup>12</sup> In spite of a national recognition of the issue and a number of papers by both government and industry, MSA’s 2015 report states “Industry remains unconvinced that education and training efforts are effectively addressing this growing STEM need.”<sup>13</sup>

The CEDA report into Australia’s future workforce (2015) emphasises the need for ICT skills as well: ‘So ubiquitous will ICT be in the future that it will be added to reading, writing and arithmetic as basic competencies expected of all Australians.’<sup>14</sup> The report recommends that digital literacy should be taught to all children and become a core component of school education. This is important to ensure these basic skills are achieved at school so that students leaving school are well equipped to meet the challenges of their VET course and participate in those occupations projected for future growth.

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<sup>9</sup> NCVER Readiness to meet demand for skills: a study of five growth industries, Francesca Beddie, Mette Creaser, Jo Hargreaves and Adrian Ong, Research Report October 2014

<sup>10</sup> Ibid, p13

<sup>11</sup> Progressing STEM Skills in Australia, Australian Industry Group, March 2015

<sup>12</sup> Manufacturing Skills Australia Environmental Scan 2014

<sup>13</sup> Manufacturing Skills Australia Environmental Scan 2015

<sup>14</sup> Committee for Economic Development of Australia (CEDA), Australia’s future workforce?, June 2015 p26

## Term of Reference 2

- (b) the role played by public and private vocational education providers and industry in:
- (i) educational linkages with secondary and higher education
  - (ii) the development of skills in the New South Wales economy
  - (iii) the development of opportunities for unemployed people, particularly migrants and persons in the mature workers' category, to improve themselves and increase their life, education and employment prospects,
  - (iv) the delivery of services and programs particularly to regional, rural and remote communities

As discussed previously, links between the VET sector and schools sectors is critical for informing potential students of the options available as VET pathways. What also needs attention is the link between the VET sector and higher education.

In some respects, where schools engage in VET in Schools programs, the two way flow between the sectors can be quite well developed, and there are some very positive experiences between the two, particularly for those schools who use TAFE delivered VET (TVET). Nevertheless, there would be a number of students, and their parents, who do not have any knowledge of the broader VET options available beyond VET in Schools, and then only if their school offers this as an option.

There is also student movement between the VET sector and higher education which reflects some degree of articulation between the sectors. However, the volume of movement is relatively small and could be increased with the development of more clearly articulated pathways. In 2011 for example, NSW TAFE student profiles show that 11.1% of enrolments are from university graduates<sup>15</sup> while 15.5% of university enrolments were from VET students<sup>16</sup>.

Clearly articulated pathways between school sectors, the VET sector and the higher education sector are critical for students. As noted earlier, GenY students are looking for opportunities to advance and want access to seamless pathways. This applies to many students, and the workforce needs to be flexible and highly adaptable to adjust, upskill to meet new challenges and transition into new industry sectors that emerge because of technology or market growth.

### Skills for NSW

The NSW Government has identified 11 key industry sectors for growth: agribusiness and food; arts, culture and creative; defence and aerospace; education; financial and professional services; information and communication technology; infrastructure and construction; manufacturing; mining, resources and energy; renewable energy and sustainability; and tourism<sup>17</sup>.

All of these sectors will require a response from the VET sector to provide highly skilled people.

<sup>15</sup> TAFE NSW Statistical Compendium 2013, TAFE Strategy and Finance – Business Analytics and Accountability

<sup>16</sup> Report of NSW Government Review of Tertiary Pathways, June 2012 , p77

<sup>17</sup> NSW Department of Industry website: <http://www.industry.nsw.gov.au/>

Infrastructure and construction is one of the major potential growth areas for NSW. Infrastructure related construction in NSW is expected to exceed \$60 billion in the next four years.<sup>18</sup>

This huge investment in NSW will require highly skilled professionals from the VET sector. There needs to be an effort from industry and the NSW Government to ensure that NSW has the workforce with the necessary skills to work on these projects over the next four years.

The ACA has launched a careers website, 'Build your career – Get into Construction' in order to raise awareness and to attract and retain young people into the construction industry. The website is aimed at helping students, parents and careers advisers with information about careers in construction.<sup>19</sup> A summary of research undertaken by ACA and some useful case studies of progression in VET and the higher education sector also appear on the newly launched website. The ACA has said that its members will engage with state education departments, careers advisers and school associations to spread awareness of the initiative and its objectives.<sup>20</sup>

According to the NSW Department of Industry, Sydney recently became Australia's main industrial city, with a manufacturing industry valued at \$21.7 billion in 2012–13. The NSW manufacturing industry contributed \$35 billion, or 7%, to the NSW economy, employing around 296,000 people in 2012-13.<sup>21</sup>

The structure of manufacturing has been affected by low-cost international competition, the relatively high Australian dollar and increasing energy costs. Those employers who have been more resilient to these forces have done so by embracing new technologies or business models, which carry with them new skill challenges.

Whilst other industry sectors also require VET skills, the construction and manufacturing sectors have a high reliance on VET skills to assist with expansion to meet the anticipated growth. In addition, regional NSW is also a hub for manufacturing activity, with the state a home to more than 60% of Australia's regional manufacturing headquarters.<sup>22</sup>

Construction has always been viewed as on-site; however there is an increasing use of pre-fabrication, particularly in the strong growth areas of the commercial building and social housing sectors. The increasing use of pre-fabrication in the construction sector is creating a stronger flow on effect from activity in construction to activity in manufacturing. This will require some new VET skills in the future.

Despite reports in the media, there is opportunity for the growth of manufacturing in NSW, particularly in Advanced Manufacturing. This sector will require not only a steady stream of apprentices, but higher level qualifications to meet the needs of increased levels of technology as well as a need to compete globally by improving productivity. Advanced manufacturing is one of the five priority growth sectors identified by the Australian Government for the

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<sup>18</sup> Ibid

<sup>19</sup> Australian Constructors Association, Media release 6<sup>th</sup> August 2015. <http://www.buildyourcareer.com.au/>

<sup>20</sup> Australian Constructors Association, report on-line <http://www.buildyourcareer.com.au/> 2015

<sup>21</sup> NSW Department of Industry website: <http://www.industry.nsw.gov.au/>

<sup>22</sup> Ibid

purposes of the Entrepreneurs' Programme and the Industry Skills Fund. The Industry Skills Fund assists industry to invest in training and support services and to develop innovative training solutions. It will assist industry build a highly skilled workforce to take advantage of new business growth opportunities and adapt to rapid technological change.<sup>23</sup>

## **Opportunities for unemployed people**

In a period of rising unemployment, particularly rising youth unemployment, it is important that government take measures to address the issue before people become long-term unemployed and socially and economically disconnected from the rest of the growth opportunities expected in NSW.

NSW is about to embark on strong infrastructure growth with a number of major projects planned over the next four years; it would be remiss to not take steps to ensure that all are able to participate in this growth. In order to achieve this we need to ensure that all young people leaving school have the necessary minimum skills to actively participate in further learning, and the VET sector should be the main pathway for these young people. As noted earlier, we need to make sure all young people exit school with minimum levels of language, literacy and numeracy, and that they have participated in, or at the very least had some exposure to vocational learning/education. As mentioned earlier, strong STEM skills are critical for most, if not all, VET courses.

The same minimum requirements apply to migrants and mature age people. There needs to be a strategy to make sure we capture the skills and experience of migrant workers and mature age people. Strategies to develop language, literacy and numeracy skills (LLN) will be important for both migrants and for some mature age workers, who may not have participated in learning since leaving school. Ai Group recommends pre-employment training to assist these people to reach minimum requirements of LLN in order to be able to participate in further learning - the lack of these key foundation skills acts as a barrier for entry. We also need to be mindful that this group is often dealing with other issues relating to providing care to dependents, issues around access to employment through isolation and limited public transport. There needs to be a strategy of support for this group.

## **Delivery of services and programs to regional, rural and remote areas**

Geographically, NSW has a wide spread of industry and population, extending along the eastern seaboard and inland to the South Australian border. In spite of the largest regional coverage for industry, there are some very remote locations that have little economic activity for young people. It is important then that we maintain a strong VET capacity to service regional and remote areas to provide young people with training opportunities either to meet local needs, or more importantly provide them with the skills required in strong growth regions. What we need to avoid is training for training's sake. We need to be able to effectively assist people in remote regions to either meet local needs, or as is more often the case, train them to meet the occupations for future growth and provide assistance to move/travel to where that growth exists.

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<sup>23</sup> <http://www.business.gov.au/grants-and-assistance/Industry-Skills-Fund/Pages/default.aspx#>

## Term of Reference 3

- (c) factors affecting the cost of delivery of affordable and accessible vocational education and training, including the influence of the co-contribution funding model on student behaviour and completion rates

There are many factors that affect the cost of delivery of affordable and accessible vocational education and training. These include:

- Capital inputs required for teaching, especially for the metals, carpentry, electrical and plumbing trades;
- Teacher salaries which are a part of the delivery of high level VET;
- Types of delivery mode such as face to face or on-line. On-line is more accessible, but has additional costs in terms of having the right material developed for on-line delivery and the cost of mentoring support. Not all VET courses are suited to on-line delivery because VET is by nature hands-on.
- Economic viability of provision of some courses without a critical mass of students. This is where there should be innovative approaches to delivery - blending on-line with workplace delivery, giving greater acknowledgement to skills gained in the workplace.

In as far as the co-contribution funding model has affected student behaviours and completions, these relate to the relevancy of the course to meet the needs of the students, and the perceived value for money. Anecdotally, Ai Group is aware that some students only partially complete their VET courses because they gain the skills they require secure employment before completing or find part-time study and maintaining a full-time job becomes too difficult. This is an argument for more flexible delivery, more recognition of work competencies, greater use of recognition of prior learning (RPL), and perhaps offering part qualifications that can be built over time with a passport arrangement. Often the VET system can make it difficult to transfer between courses carrying credit.

There has been some anecdotal feedback, that where the course is highly regarded and supported by industry or there are high employment outcomes, then students are more willing to pay the co-contribution fee. This is normal market behaviour and the course may be regarded as buying a ticket to future employment. We need to not lose sight of the fact, however, that high co-contribution fees may act as a barrier for disadvantaged groups. Equally, courses with lower co-contribution fees do not mean that they are not valued and have their place in providing valuable entry level skills.

## Term of Reference 4

- (d) the effects of a competitive training market on student access to education, training, skills and pathways to employment, including opportunities and pathways to further education and employment for the most vulnerable in our community including those suffering a disability or severe disadvantage

Ai Group does not distinguish between provision by TAFE or private RTOs when considering the competitive training market. Notwithstanding this, TAFE NSW provided 87% of all NSW apprenticeship completions in 2013<sup>24</sup> and Ai Group members are a large consumer of these services. Surveys of Ai Group members reveal that the TAFE brand is held in good stead, albeit that they may have had limited exposure to other RTOs. Surveys of the general public indicate that 96% of respondents consider the services of TAFE to NSW to be valuable.<sup>25</sup> Whilst there is strong support for TAFE NSW, it is not to say that there isn't room for improvement and innovation that would be welcomed by employers.

It needs to be acknowledged that the TAFE system is the bedrock of the national VET system. The number of students enrolled in public VET was 1.88 million in 2013 with 63.4 per cent of these students enrolled in TAFE.<sup>26</sup>

It has been observed that a strong and effective public provider network is an essential feature of ongoing supply in most high quality international VET systems.<sup>27</sup>

It is important to highlight what Ai Group considers to be the main principles underpinning the public training system. These are:

- An industry – led system: the purpose of the training system is to provide a highly skilled workforce able to meet the needs of industry in an increasingly complex economy;
- National consistency: industry requires a public training system that is truly national so that consistency of training outcomes is provided across territorial borders;
- Properly resourced: the public training system needs to be properly resourced and efficiently managed in order to provide quality training responsive to industry need;
- Quality system: all aspects of the national training system must reflect quality to maintain industry confidence in the system;
- Community provision: a public training system needs to embrace its wider community responsibilities beyond the immediate needs of industry.

Ai Group acknowledges that the introduction of the competitive training market in NSW has had a number of impacts on TAFE. NSW TAFE carries the load of Community Services Obligation as part of its role as the public provider. It is therefore important that essential services required by the

<sup>24</sup> TAFE NSW Infographic, January 2015

<sup>25</sup> Ibid

<sup>26</sup> Snapshot of vocational education and training in Australia: infographics, NCVER.

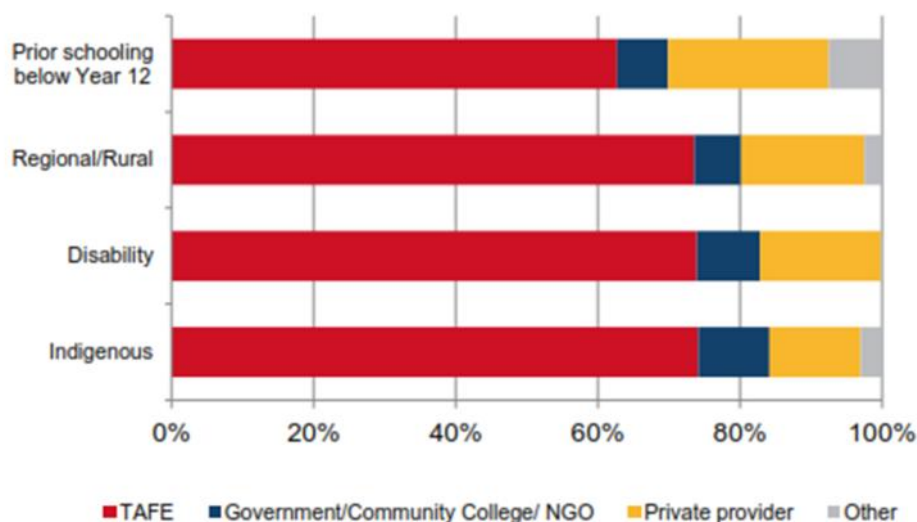
<sup>27</sup> *An Optimal VET System*, Report to Business Council of Australia, ACIL Allen Consulting, September 2013, page 35.

most vulnerable in the community are maintained and support for disadvantaged students so that they can complete their studies.

Ai Group notes the importance of the following issues about the role of VET in NSW:

- that the level of funding to the VET sector is adequate to meet the expanded demand for skills by industry including areas of skills shortages;
- that the level of funding to the VET sector is also adequate in comparison to the schooling and higher education sectors;
- that the broader community role of TAFE be acknowledged as a significant provider of programs that do not necessarily yield high financial returns such as programs for disadvantaged youth;
- that the significant impact of the implementation of market-based funding on regional communities operating in thin markets be recognised;
- that the provision of many courses through the competitive training market is based on individual perceptions of benefit rather than on industry need be addressed;
- that the consequent 'burning' of student entitlements through uninformed course selection choices needs to be addressed; and
- that there not be a reduction of the provision of student services such as counselling, libraries and disability programs.

Historically TAFE is by far the most significant provider of training for equity groups including pre-Year 12 student exits, regional and rural provision, students with a disability and Indigenous students, as can be seen in the table below. These groups are in thin and unprofitable markets and are not well served by the fluctuations inherent in a fully contestable training market. It is important that TAFE continues to be funded appropriately in order to ensure that these vulnerable groups are not disadvantaged and able to participate in the growth industry sectors mentioned earlier.



**Enrolments by student equity groups by provider type (%), Australia, 2013<sup>28</sup>**

<sup>28</sup> *The Capture of Public Wealth by the For-Profit VET Sector*, Workplace Research Centre, The University of Sydney, January 2015, page 23.



## Term of Reference 5

- (e) 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 application of training packages to workforce requirements, and

Ai Group's view is that the broad, foundation principles of our national training system are maintained and strengthened. The system must be industry driven, nationally consistent, outcomes focused and timely and quality assured. It must be based on industry standards in order to meet industry's workforce needs to further advance Australia's economy. Training providers must exist firstly to meet those needs, and must ensure training is tailored to suit individual employer/student needs.

It is important to maintain a balance between the individual demand-driven model and the needs of industry and the economy.

The entitlement model is premised on the notion that the consumer makes an informed choice about the role of their VET experience in preparing for a final labour market outcome. The VET market is imperfect and individual consumers are not readily provided with sufficiently adequate information upon which to base a training decision. It is important that individuals are supported to undertake qualifications in areas of need such as skill shortages and foundation skills regardless of whether they have used their entitlement in an original field of study.

One of the key messages from the NCVER research report 2014 is that the role of employers is crucial to encouraging and supporting a more nimble workforce, one that is willing to learn new skills and adapt to change.<sup>29</sup>

*"Industry collaboration with education and training providers is a key factor in ensuring greater industry input into the nature of education and training and in anticipating the extent and nature of future demand. Providers also need to foster collaboration in order to keep abreast of contemporary industry requirements. For some time industry has played a key role in the VET system; however, collaboration is more than injecting relevance into the skills and knowledge contained in training packages. It is also more than training providers responding to short-term demand."*<sup>30</sup>

Ai Group has been a great supporter of competency based training. This encourages the training provider to work directly with the employer and the student to ensure competencies are achieved through workplace evidence. At the very least it creates a much needed dialogue between the stakeholders to ensure the outcomes of the VET course are at a high industry standard and that progression is based on achievement of competency rather than time-based. Ai Group's project on competency based progression and completion, Engineering Excellence, found there were weaknesses in the system and these undermined the credibility of

<sup>29</sup> NCVER Readiness to meet demand for skills: a study of five growth industries, Francesca Beddie, Mette Creaser, Jo Hargreaves and Adrian Ong, Research Report October 2014

<sup>30</sup> Ibid

competency based progression and completion.

Ai Group has also had a long involvement in training package development, particularly for the metals and engineering training package. It has invested a lot of time in gathering current industry practice to make sure that the Training Package is current and flexible enough to meet the needs of changing work practices and changing technology.

Only through industry being integral to the training system can the VET system continue to be responsive to the needs of industry and hence meet the employment and career aspirations of students for long term sustainable employment.

## Term of Reference 6

- (f) the Smart and Skilled reforms, including:
  - (i) alternatives to the Smart and Skilled contestable training market and other funding policies
  - (ii) the effects of the Smart and Skilled roll out on school based Apprenticeships

In an attempt to avoid the concerns raised in the Victorian and South Australian models, NSW took a very controlled approach to the implementation of the entitlement model. The outcomes have not been assessed as yet. On a positive note, the NSW government has listened to the issues for the initial rollout of the strategy and is adjusting to meet concerns as they arise.

Indeed, the NSW Auditor-General report (2015)<sup>31</sup> acknowledged NSW's cautious approach, mostly because the directive from Government was that Smart and Skilled should be budget neutral, whereas the Victorian model has developed with an increase in VET expenditure, but not necessarily directed toward industry need.

Ai Group was part of the industry consultation on setting the priority qualifications for funding under Smart and Skilled. Economic conditions have changed since that consultation and Smart and Skilled has not been able to achieve its targets as planned. It is still too early to determine whether the Smart and Skilled reforms have been effective. There has certainly been some early angst and determining a true picture of implementation has been exacerbated by the inability to collect the number of VET enrolments due to problems in the new TAFE enrolment system.

In Ai Group's view, the Skills List worked reasonably well, however problems became apparent around the allocation of providers to particular regions. This was a result of an over engineered approach reflecting caution in the policy setting and led to mismatches in not being able to apply capabilities across regions. There was also a concern in undervaluing existing performance in the market. There needs to be more flexibility in matching providers to the market.

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<sup>31</sup> NSW Auditor-General's Report to Parliament Vocational Education and Training Reform, January 2015

Ai Group is part of a Compact with other industry associations to increase the take-up and completions of apprenticeships and traineeships in NSW.

Ai Group was consulted on developing a pre-apprenticeship model for the metals and engineering trades. Ai Group's group training arm, AiGTS, is participating in these pre-apprenticeship programs for 15-24 year olds, focusing on the Industry Skills List.

Ai Group supports a review of the implementation of Smart and Skilled to determine its effectiveness in achieving the objectives that were set by the NSW Government.

## Term of Reference 7

g) any other related matter.

There needs to be continued investment in vocational education and training. VET remains a poor cousin to the higher education and schools sectors, despite the fact that only 40% of school leavers enter university. Given this, and the importance of the VET sector to growth in NSW, there needs to be substantial investment in ensuring that training providers can provide a highly skilled workforce to meet future challenges. As TAFE NSW is the largest provider of vocational education and training in NSW, accounting for 77% of student enrolments<sup>32</sup>, we expect it to be fully resourced to meet the skills needs of the future workforce.

We need to remember that schools in NSW are also providers of vocational education and training, and their contribution should not be underplayed. There needs to be more recognition of the roles of schools in VET and it needs to be properly resourced, particularly the work placement component of VET in Schools. Mandatory work placement in NSW schools for the VET framework courses is a key feature of the arrangements and this should continue to be supported by the NSW government.

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<sup>32</sup> NSW Auditor-General's Report to Parliament Vocational Education and Training Reform, January 2015



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