

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

Organisation: Manufacturing Skills Australia

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Manufacturing Skills Australia's submission to the inquiry into vocational education and training in New South Wales

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Manufacturing a skilled Australia

This submission has been prepared by Manufacturing Skills Australia for the Legislative Council of New South Wales' inquiry into vocational education and training in New South Wales.

Manufacturing Skills Australia (MSA) is the national industry skills council recognised by the Australian Government to ensure that the skill needs of manufacturing enterprises are being met. It is responsible for liaising with industry and enterprises to identify current and future skill needs and supporting the development, implementation and improvement of nationally recognised training and qualifications, providing industry intelligence and advice to inform government policy; and providing skills and training advice to individual enterprises to assist with training and development processes.

Our vision is to be the pre-eminent organisation in Australia fostering and advocating for the workforce skill development needs of a thriving industry. We provide bi-partisan leadership and value the empowered and informed input of industry stakeholders. We strive to provide high quality information and resources around skill development to support the participation of industry in developing an innovative, highly productive and globally competitive manufacturing industry.

MSA is funded by the Australian Government through the Commonwealth Department of Education and Training, and works closely with industry associations, unions, training providers, government agencies and employers to continually evolve and improve skills for manufacturing.

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Preamble

MSA welcomes the opportunity to provide a submission to the Legislative Council of New South Wales' inquiry into vocational education and training in New South Wales.

As the Industry Skills Council for the manufacturing industry, MSA supports government initiatives which support the development of the skills necessary for a high skilled, value add and innovative manufacturing industry. Accredited training through the national training system and access to high quality training providers are key to ensuring manufacturing in Australia is able to meet the future demands of the Australian economy as it positions itself to be an integral part of the global supply chain.

The New South Wales manufacturing industry is a major contributor to the New South Wales economy, contributing \$32.1 billion in total factor income in 2013-14¹. However the industry is facing significant challenges as it undergoes a major transformation, of which one is access to appropriately skilled workers for both the jobs of today and the jobs of the future. The vocational education and training (VET) industry is the major provider of such skilled workers, both new entrant workers and also through the reskilling and upskilling of existing workers. It is also the major education provider of workers for thin markets and in regional areas.

In providing this submission, MSA is addressing those areas outlined which are most relevant to the manufacturing industry as a user of the VET system in New South Wales.

A snapshot of publicly funded VET in New South Wales

According to statistics available from the National Centre for Vocational Education Research (NCVER), in 2013 and 2014:

- Over 25% of students were aged 15 – 19 of which more than one third were employed
- Over 25% of students were aged 20 – 29 of which more than two thirds were employed
- Over 50% of students were female
- Nearly 60% of students lived in the major cities
- 78% of students were receiving training which was government funded.²

The statistics do not include information on training being provided through the private sector or by enterprise-based registered training organisations (RTOs). This data is not yet available from NCVER.

¹ Australian Bureau of Statistics, 2014, 5220.0 - *Australian National Accounts: State Accounts, 2013-14*, Table 2. Expenditure, Income and Industry Components of Gross State Product, New South Wales, Chain volume measures and current prices

² National Centre for Vocational Education Research, 2015, *VOCSTATS*, Government funded students and courses database

Terms of reference

The factors influencing student choice about entering the vocational education and training system including:

- (i) motivation to study

MSA is pleased that the inquiry is considering the factors that influence student choice about entering the VET system. While there are many factors that influence a student's choice, recent research by NCVER found that the two most significant influencers were the student's parents and teachers³. A student transitioning from high school to post-school education was more likely to choose VET as their destination if one or both parents had careers stemming from a vocational qualification and/or valued the VET system and supported the student to choose the VET system in which to undertake post-school study. However many parents have "aspirational goals" for their children which are focused on the professions (medicine, law, engineering, etc.) and higher education.

VET is not held by the majority of teachers and careers advisers in high esteem and this influences the career choices of students. Within the school system, there is a strong emphasis on students choosing the higher education system (i.e. university) post-school. This emphasis is underpinned by the "need" to obtain an Australian Tertiary Admission Rank (ATAR) and a tendency for teachers who judge a student to lack the academic skills required to enter university to direct the student towards VET. There is a perception held by many high school teachers that VET does not require students to have the level of foundation skills required to enter higher education. However recent work undertaken by the Industry Skills Councils as part of the Commonwealth funded "Mapping Training Packages to the Australian Core Skills Framework" has shown that foundation skills requirements for the courses that underpin entry to trade and technical occupations are as high as those required for first year university.

- (ii) choice of course, course location and method of study

The poor image of industries such as manufacturing in the media also influences student career choices. Manufacturing is one industry that relies heavily on the VET system to meet its skill needs. The ongoing portrayal of manufacturing as "in decline", "dying", "dirty, hard work and dangerous", "not having a future" and that there are no career pathways in manufacturing is having a negative effect on students choosing manufacturing-related courses. Lack of knowledge by career advisers as to the potential for manufacturing to provide sustainable, long term and exciting careers is also influencing students' choices.

Choice of course is also impacted by the student's age and whether they are employed or not. In 2013 and 2014, one third of students in VET's 'traditional' age cohort (15 – 19 years) were working. However this cohort only constituted 25% of the students commencing a publicly funded course in New South Wales in 2013 and 2014. The next largest cohort was the 20 – 29 age cohort who also constituted 25% of commencements. In this cohort over two thirds were employed. Work-related

³ Webb, S., Black, R., Morton, R., Plowright, S. and Roy, R., 2015, *Geographical and place dimensions of post-school participation in education and work*, National Centre for Vocational Education Research, Adelaide

learning is a significant influence on choice of course, course location and method of study.⁴ Employed people choose courses that are directly related to their employment, preferably close to home or work and offer multiple methods of study.

This is particularly important in regional and rural areas where people are often reluctant to leave their communities to study. The role of the VET sector in providing opportunities for students in these areas cannot and must not be underestimated. Between 2011 and 2014, the number of students undertaking publicly funded courses in New South Wales decreased by 3.7%. In almost all regional areas the numbers have fallen by more than the state average (4.3% in inner regional areas to 7.9% in very remote areas).⁵ This may be reflective of the impact of the Smart and Skilled reforms are having on student choice outside of the metropolitan areas.

- (iii) barriers to participation, including students in the non-government and home schooling sectors

Participation in VET in School programs is seen as a pathway to participation in post-school VET. In 2013, nearly 61,000 students in New South Wales participated in VET in School programs. The majority (73%) were attending a government school, and a further 20% at a Catholic school. Less than 6% were at an independent school. The low participation rate for the independent school sector may be due to the high value that parents of students in this sector put upon higher education and also the more selective nature of the schools themselves. Just over 1% of students were participating through institutions classified as 'Other'. The classification definition of 'Other' does not make clear if this also includes students who are being home-schooled.⁶ Without exposure to the vocational education and training system, students are less likely to choose this pathway to a career.

Barriers to participation in VET post-secondary school may also include lack of access to enablers such poor foundation skills (language, literacy, numeracy, digital literacy) and/or the internet. Difficulties with foundation skills which may not be discovered at school can result in students dropping out of school and losing confidence in their ability to participate in any form of learning. The internet is also a significant enabler for participation as it provides information about the VET system and what is available in the local area. Not having reliable access to the internet can be due to either the family not owning a computer or there is not a reliable internet connection in the area.

The role played by public and private vocational education providers and industry in:

- (i) educational linkages with secondary and higher education

The linkages between the VET system and secondary education are strong, particularly in the public sector because of the high take-up of VET in School programs. Private vocational education providers in the main do not have such a strong linkage due to the fact that they are mostly fee-for-service. However, some private providers are targeting niche employment areas or have built a

⁴ Australian Bureau of Statistics, 2013, 4234.0 - *Work-Related Training and Adult Learning, Australia, Apr 2013*, <http://www.abs.gov.au/ausstats/abs@.nsf/Products/4234.0~Apr+2013~Main+Features~Work-related+training?OpenDocument>

⁵ National Centre for Vocational Education Research, 2015, *VOCSTATS*, Government funded students and courses database

⁶ National Centre for Vocational Education Research, 2014, *VET in Schools - New South Wales*, Table 3

significant reputation with industry. As such they are seen by students to be preferable options to the public system.

The educational linkages between the VET system and higher education in Australia are not strong. Research has shown that only about 10% of students are admitted to higher education on the basis of a VET award. However this varies significantly between individual universities and within universities and can be as low as 3%.⁷ There needs to be better articulation between the two sectors so that clear career pathways are available for all learners.

Linkages between industry and the secondary system vary from school to school and from region to region. Some schools have strong linkages with local industry, resulting in students having opportunities to participate in activities such as 'Try-A-Trade' days, work experience opportunities and also taking up school-based apprenticeships. However there is no coordinated approach to the involvement of industry with the secondary education system. As a result many students lack the knowledge of the industry they are proposing to enter, resulting in poor decisions around careers and post-school education pathways. This lack of knowledge is resulting in students failing to complete qualifications, apprentices not completing apprenticeships and employers expressing dissatisfaction with both the school system and the VET system.

VET students are not always well equipped to make appropriate training choices. Students need access to a range of supports, including simplifying the system, to help them make such decisions. Furthermore these supports need to include better career advice being available to students while still in school, especially in the formative Years 9 and 10 when students are exploring career choices and making decisions about the subjects that they will study in Years 11 and 12.

Vocational education providers, in partnership with industry, have a role to play in providing this advice, particularly through advising potential students and career advisors as to the academic requirements of many VET qualifications and programs and the foundation skill (language, literacy, numeracy, employment skills as well as science, technology, engineering and mathematics) levels that students need to have to successfully complete their chosen qualification and to transition successfully to employment. Such advice, coupled with exposure to their chosen career, would assist students in making training choices that are realistic and achievable.

(ii) the development of skills in the New South Wales economy

The Australian manufacturing industry is undergoing a period of rapid transition from a labour-intensive, relatively low skilled, mass production base to a high technology-driven, high skilled, service-orientated model. Currently New South Wales is the leading state for manufacturing in Australia and the industry is in need of workers with the 'right' skills to compete. These skills are not the traditional skills that have been found in the 'old' manufacturing. Rather the 'new' manufacturing skills include critical thinking, creative and design-led thinking, management skills at all levels of the organisation, problem solving and innovation skills, customer service and communications skills including intercultural communication skills as well as high level technical skills in areas such as additive manufacturing, automation, analytics and design.

⁷ Watson, I., Chesters, J. and Hagel, P., 2013, *A half-open door: pathways for VET award holders into Australian universities*, National Centre for Vocational Education Research, Adelaide

Manufacturing also needs these skills not just in their new entrant workforce but also in the existing workforce. Therefore upskilling and reskilling of the existing workforce is a major concern for manufacturers. However for many, full qualifications are not required. Industry is seeking support for the existing workforce to undertake skill sets and units of competency that directly address current or near future skill needs.

For many manufacturers, the public provider, TAFE, has been and remains the preferred provider of new entrant training, especially for apprenticeships. However private providers have been proving to be more agile in meeting the training needs for existing workers through the provision of a range of training options, including recognition of prior learning (RPL), on the job training and assessment, and small group training. The level of bureaucracy within the public provider system hampers the ability of TAFE to respond to industry needs innovatively and quickly.

- (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

Traditionally the role of TAFE has been to provide an alternate pathway to post-school education, especially for people who, for a variety of reasons, do not want to or are unable to access higher education. In particular, it has provided for learners with special needs, such as those from low socio-economic backgrounds, people with disabilities, Indigenous Australians, 'second chance' learners, people needing to develop their foundation skills/employment skills to undertake further training and education or to obtain employment, and people living in regional and rural areas. TAFE has also serviced 'thin markets', i.e. provided training to meet the needs of employers where there are only small learner cohorts. These have been fundamental and extremely important roles for TAFE, one which no other provider has been either able to or willing to take on, especially in today's market-driven system. MSA and our stakeholders are concerned about the ability of TAFE to continue to provide these services which are vital to ensuring New South Wales will have the skilled workforce needed to transition its economy.

- (iv) the delivery of services and programs particularly to regional, rural and remote communities

TAFE, as the public provider has always played a significant role in the delivery of services and programs that meet industry needs. This has been of particular importance in the provision of services and programs in regional, rural and remote communities. Because the public provider, prior to the introduction of contestable funding, was able to offset the costs associated with the provision of services in unprofitable areas such as rural and remote communities and thin markets, it has been seen as vital to the ongoing survival of such communities, allowing young people to transition from school to post-school education within in their own communities and providing local employers with work ready graduates. The discontinuation of many services and programs in rural and remote areas because they are no longer financially viable will have a huge impact in these areas, with a resulting drift of young people away from their communities as they seek to access post-school education opportunities. Because the provision of these services are seen by private providers as being financially unviable (due to cost and distance), they are not willing to 'step into the gap' and provide them. This could see many businesses in these communities close as they are no longer able to source employees with the required skills and knowledge.

Industry is seeking solutions to these issues. In some instances, this has resulted in industry, through industry associations mostly, forming partnerships and other mutual arrangements with providers in other states to meet their needs. Some industry associations are considering becoming training providers themselves to meet their service needs.

TAFE has also always been the provider that has delivered services and programs that meet the needs of diverse groups of learners. For example North Sydney Institute has run a program called “Work Wise Women”. This program provided women returning to the workforce after taking time off for caring duties the opportunity to update their technical skills so that they could compete in the job market. Another program that was targeted to a specific learner group has been run through South Western Institute of TAFE for women from culturally and linguistically diverse (CALD) backgrounds to develop skills in computer-aided drafting (CAD). Given that manufacturers in New South Wales have been reporting to MSA that they are unable to find enough people with skills in this area to meet their needs, this program has been welcomed by industry. However difficulty with delivery modes and funding changes have resulted in both this program and the program at North Sydney Institute being closed.

Private providers have largely been focussed on providing fee-for-service programs for industry. These programs generally are more targeted to meet the needs of individual employers rather than the economy as a whole. They play a valuable role in the VET system in providing specific, targeted training in niche areas. Because the majority of private providers are small businesses without the added layer of bureaucracy that impacts the public provider, they are more able to respond quickly to changing client needs, thereby supporting the upskilling and/or reskilling of the existing workforce. They also provide a significant amount of “unaccredited” training which supports the introduction of new business practices, new technology, and changes to regulations, etc.

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 affordable and accessible VET in New South Wales. One is the community service obligations (CSOs) which are imposed upon the public provider, TAFE. TAFE has always undertaken to provide access to vocational education for learners who otherwise would not be able to acquire the skills required to participate in further education and/or employment. CSOs require TAFE to provide programs and services for learners who face significant barriers to participation – barriers such as financial hardship, low foundation skills, disability, geographical isolation, social exclusion, to name a few. To do this TAFE is required to provide such access often at a financial cost to both the individual institute and to TAFE in general. Historically, TAFE has offset this cost against the provision of other programs and services which attracted a higher level of funding.

There are two other areas in which there are expectations imposed on the public provider that are either significantly reduced for or not expected of other providers:

- infrastructure costs (capital investment in buildings and equipment), and
- bureaucracy/administration costs.

TAFEs are expected to maintain significant physical assets such as buildings and equipment, etc. Many of these physical assets are ageing and require extensive renovations, another large cost which TAFE is expected to bear. Many are also located in regional and rural areas with low population bases and therefore small class sizes, again impacting on the finances of the individual institutes. It should perhaps be appropriate to consider alternate arrangements for the management of such physical assets (such as the assets being managed by another government department and TAFE leasing these facilities back) or that separate funding be provided to TAFE to manage such assets.

TAFE, as a public institution, is also subject to an extra level of oversight which other providers are not. This imposes a large administrative burden on institutions, raising such costs and reducing the amount of funding available for the delivery and assessment of training. MSA would support a review of this oversight with a view to reducing and streamlining these requirements.

The value of a co-contribution model is currently being debated in other forums. However the success of federal co-contribution models such as the Enterprise-Based Productivity Placement Program (EBPPP) and the National Workforce Development Fund (NWDF) demonstrates that industry is willing to contribute to the cost of training if they can see that it makes sound business sense. One of the key aspects for the success of these programs was that employers were empowered to actively participate in training program design and delivery. This included having the flexibility to say what was included and excluded so that the training was tailored to meet the needs of the business.

Queensland has introduced a co-contribution model for higher level qualifications (Certificate IV and above).⁸ As this is a new program, data relating to the uptake of the program is not yet publicly available. In the Victorian Government's review of funding for its VET system, the introduction of a co-contribution model is being considered.⁹

Data on the amount (and value) of training that is being undertaken in the fee-for-service sector is not yet available. However peak bodies such as the Australian Council for Private Education and Training (ACPET) estimates that this sector accounts for a larger proportion of students than the public sector. If this is the case, then obviously students are willing to pay for access to quality training, again with the caveat that they need to see quantifiable outcomes for their (not insignificant) financial investment.

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

The effects of a competitive training market in New South Wales are still being felt as this is the first year of the fully contestable model. However media reports this year have highlighted a number of issues which have, for the most part, impacted the public provider. First among them was the non-

⁸ Queensland Government, 2015, *Higher Level Skills program - for students*, <https://www.qld.gov.au/education/training/subsidies/pages/higher.html>

⁹ Victorian Government, 2015, *Review of VET Funding Issues Paper*, <http://vetfundingreview.vic.gov.au/#issuespaper>

compatibility of the TAFE IT system with the Smart and Skilled reforms. This resulted in students being unable to enrol in courses within the allocated time frame and reports from employers that apprentices were unable to access their training records. TAFE has also felt the effect of a significant drop in enrolments,¹⁰ with enrolments decreasing by 30,000 this year.

Not only have enrolments through the public provider decreased, there have also been significant consolidation of services within TAFE. For example in Sydney, where engineering has previously been offered at every campus of TAFE, engineering is now only offered at one campus in each institute. Other non-viable courses such as soft furnishing have been discontinued with the result there are now no provision of training for soft furnishing in New South Wales. As has already been mentioned in this paper, the provision of enabling programs such as the Work Wise Women's program have also been discontinued. All these changes to the public provider are having a significant effect on student access and will have a significant effect on the New South Wales economy in the near future.

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

In 2013, just over half of employers in New South Wales engaged with the VET system to meet their training needs. This was down from 2011 when 56% of employers had engaged with the VET system. There was also a significant drop in employer satisfaction with the VET system in New South Wales over the same time period.¹¹ Recent research by the NSW Industry Training Advisory Boards (NSW ITABs) has found that dissatisfaction levels have increased significantly since the introduction of Smart and Skilled¹². Over one fifth of employers reported spending less on VET in 2014/15 with almost 50% of these employers citing the cost of VET being the major inhibitor to their engagement. Other reasons given for decreasing engagement included: "Changes in the VET delivery have made courses less viable" (24.5%) and "We don't see the same benefits from VET as we did before" (18.2%).

Many employers indicated that they don't understand the way the VET system works given not only the changes at state level but also the major reforms that are being implemented at national level. Employers were also concerned about trends ("There is a decreasing number of providers delivering these qualifications." "Some courses have only a single RTO in NSW and this leads to non-competition. Further the RTO cannot offer all course modules which affects the trainees and the industry.") and this is influencing their engagement with the VET system in New South Wales.

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 schools based apprenticeships

¹⁰ Daily Liberal, August 13, 2015, *TAFE CUTS FEAR: Drastic cuts feared for NSW TAFE*
<http://www.dailyliberal.com.au/story/3275644/tafe-cuts-fear-drastic-cuts-feared-for-nsw-tafe/>

¹¹ National Centre for Vocational Education Research, 2013, *Employers' use and views of the VET system 2013*

¹² NSW Industry Training Advisory Boards, 2015, *Vocational Education and Training (VET) in 2015: Views and responses of NSW employers and registered training organisations* (unpublished)

Reforms to any system require change and there are usually some negative feedback. However the feedback MSA has received on the Smart and Skilled reforms has been largely negative. 43% of stakeholders reported that they had been significantly impacted by the changes under Smart and Skilled in 2014-15. Stakeholders report increased complexity in accessing funding and navigating the system, increased costs for training making it prohibitive, decreased options in training provision, inconsistency of geographical allocations for training funding, insufficient funding for high cost programs (such as trade apprenticeships) as some of the issues they have experienced. Industry also wants increased access to funding for skill sets for their existing workers and increased consultation as to what should be funded. Many employers reported that the current Skills List (against which funding is allocated) does not include many of the qualifications or skill sets that they would like to use.

In the NSW ITABs' report, there are five priority areas that have been identified:

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 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.¹³

The NSW ITABs' report will be presented to the Minister for discussion this month.

MSA supports the targeting of funding according to clear government priorities. However, we are concerned that in some instances government priorities may be short term, therefore occupations such as cabinetmaking, engineering, which require commitment to long-term training and therefore funding due to apprenticeship requirements, could be disadvantaged under such arrangements.

A further concern is that business improvement programs such as the Competitive Systems and Practices series of VET qualifications are not seen as important as occupational qualifications. The

¹³ NSW Industry Training Advisory Boards, 2015, Ibid.

success of these qualifications in improving business performance and sustainability is well documented and hence has a significant contribution to the economy. There is a need to identify skill priorities across the range of enterprise needs four to five years out from the present.

MSA is also concerned that targeting funding to state skill priorities may also disadvantage thin markets and regional areas. MSA recently supported the launch of the National Caravan Industry College which is a collaborative initiative between the Caravan Industry Australia Victorian Trades Division (CIAVic) and Wodonga Institute of TAFE. This collaboration has been driven by the need to address access to training for the caravan industry (which is a 'thin market' operating largely in regional and rural areas throughout Australia).

While initiatives such as these demonstrate the willingness of industry to work collaboratively with providers to address the issues of 'thin market' and regional and rural delivery, the responsibility for meeting the needs of thin markets and regional and rural delivery remains with the government. MSA supports the development of mechanisms at state level which would enable identification of and response to such issues in a prompt and timely manner (e.g. within a six month time frame). The current arrangements are too slow for timely responses and causing significant stress for industry.

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