



SUBMISSION

National Agreement for Skills and Workforce Development Review

Productivity Commission Interim Report

17 July 2020

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1. Background

The Motor Trade Association SA/NT (the MTA) is an employer organisation representing the interests of over 1,200 members and their more than 15,000 employees in the automotive retail, service and repair sector throughout metropolitan and regional South Australia (SA) and the Northern Territory (NT).

Eighty per cent of these businesses employ less than 20 employees. The automotive retail, service and repair sectors in SA and the NT add more than \$3 billion to the economy annually and employ over 30,000 people.

The MTA also operates a Training and Employment Centre in SA, comprised of both our Registered and Group Training Organisations. It is the automotive industry's training provider of choice with more than 900 apprentices in training and is the largest employer of automotive apprentices in South Australia with 500 employed through over 240 host businesses.

As a representative body, the MTA has 12 divisions representing the full range of trades within the automotive industry including:

- Automotive Dealers Association (SA/NT)
- Automotive Repair and Engineering Specialists (SA/NT)
- Automotive Dismantlers (SA/NT)
- Body Repair Specialists (SA/NT)
- Commercial Vehicle Industry Association (SA/NT)
- Farm and Industrial Machinery Dealers Association (SA/NT)
- Licensed Vehicle Dealers (SA/NT)
- Motorcycle Industry Association (SA/NT)
- Service Station (SA/NT)
- Towing Services (SA/NT)
- Tyre Dealers (SA/NT)
- General (SA/NT)

2. Introduction

The MTA notes that the Hon Josh Frydenberg MP, Treasurer, has requested that the Productivity Commission undertake a review of the National Agreement for Skills and Workforce Development (NASWD).

It is acknowledged that the NASWD is a high-level agreement that identifies the *‘long term objectives of the Commonwealth and State and Territory Governments in the areas of skill and workforce development, and recognises the interest of all governments in ensuring the skills of the Australian people are developed and utilised in the economy’*.

Furthermore, that it has been agreed by the parties to the NASWD that there is *‘a need for reform of the national training system to ensure it delivers the high quality, responsive, equitable and efficient training and training outcomes needed’*.

“Skills shortages, in the face of increasing demand for skilled workers, poses a significant risk for the current and future sustainability of the automotive industry...”

It is noted that the NASWD’s objectives are to ensure the vocational education and training (VET) system delivers a productive and highly skilled workforce; enables all working age Australians to develop the skills and qualifications needed to participate effectively in the labour market and contribute to Australia’s economic future; and supports increased rates of workforce participation.

The MTA welcomes the Productivity Commission’s Interim Report and the review of the NASWD comes at a critical time for Australia’s future workforce development. Skills shortages, in the face of increasing demand for skilled workers, poses a significant risk for the current and future sustainability of the automotive industry, as it goes through an unprecedented period of disruption as a result of the COVID-19 pandemic.

The MTA’s primary concerns in relation to the current system consist of four parts:

- The complexity and imbalance of the system.
- The decline in apprentice commencements and completions concurrent with the acceleration of the skills shortage.
- The skills levels of entrants to the VET system and their subsequent skills base as they progress through it.
- The disconnect between VET and employment outcomes.

The MTA holds the fundamental view that skills training needs to be structured towards delivering job outcomes, rather than simply delivering training.

3. Submission Response

Addressing imbalance in the VET system

The legacy of generations of reform and investment into VET has produced a system which has become overly complex, inconsistent across jurisdictions and with little regard to the imbalances which exist between established government institutions, and private and industry operators.

An important starting point for examining this issue is that the term 'TAFE' is often used interchangeably with 'VET' to describe the Vocation training system. Experience shows that schools, educators, students and even Government lack an understanding that there are three types of VET providers, public, private and industry based, operating simultaneously under State and Federal regulatory and funding arrangements.

The media is also complicit in this portrayal of the VET system and it is disappointing that recent reporting surrounding the Productivity Commission's Interim Report has largely chosen to report in respect to TAFE.

This confusion is in some ways a by-product of the complicated VET structure that operates in Australia, where stakeholders lack an appreciation as to their place in the system and how to manage their participation within it.

It is submitted that current funding arrangements, particularly subsidised training payments, skew in favour of government providers over private providers. For example, private providers have to apply for increases and cannot get capital investment funding or bailouts, recently to the tune of \$106 million in South Australia, unlike government providers.

The consequence of this inequity is that creativity, innovation and the entrepreneurial spirit of private training providers is reduced or non-existent and the broader community suffers inefficient and ineffective training from a government managed bureaucratic system.

"...while private RTOs are get paid half that of public providers, they are delivering the same or if not better outcomes."

Previously, government training providers have received preference to deliver subsidised training in certain qualifications over private providers. The effect of this preferential treatment was the closure of private Registered Training Organisations (RTO) or the cessation of delivering unsubsidised qualifications.

Consequently, in some cases, government RTOs had been unable to deliver the training due to geographical or lack of resources reasons where the private provider had been active in that space. The MTA strongly believes that this fails the users of the system and meeting training and employment outcomes.

It is the MTA’s firm view that it is important to have a strong private provider sector to hold the government to account, but unfortunately inadequate funding is driving public providers out of the system.

Ultimately, what the MTA is seeking from a review of the NASWD is consistency, transparency and equality in VET outcomes.

Regrettably, this is not presently the case – Table 1 below identifies the vast differences in subsidy payments between non-government and government providers for automotive qualifications in South Australia. This clearly demonstrates the funding discrepancy in the order of double (or more) for TAFE SA when compared to the Motor Trade Association:

| Table 1 – DIS Subsidy Calculator South Australia | | |
|---|--------------------------------------|-----------------------------------|
| QUALIFICATION | AVERAGE SUBSIDY PER HOUR | |
| | NON-GOVERNMENT PROVIDER (MTA) | GOVERNMENT PROVIDER (TAFE) |
| Light Vehicle | \$11.74 | \$21.95 |
| Heavy Vehicle | \$12.00 | \$22.73 |
| Body Repair | \$13.19 | \$22.17 |
| Automotive Refinishing | \$13.07 | \$21.41 |
| Parts Sales | \$10.87 | \$14.95 |
| Road Plant | \$12.34 | \$22.26 |
| Agriculture | \$11.96 | \$21.76 |
| Agriculture & Regional Loading | \$15.94 | \$33.59 |

These findings are echoed by data extracted from the Auditor-General’s website, which shows that TAFE SA enjoyed a 45% increase in the average hourly subsidies between 2016 and 2018.

So while private RTOs get paid half that of public providers, they are delivering the same or if not better outcomes. Historically, RTOs that have struggled to deliver services, due to the lower subsidy payments, have their allocation of subsidy payments significantly reduced to the point they stop being providers. Consequently, the government provider monopolises the market, but ultimately can’t provide specialised services or deliver training in regional areas to suit market needs.

Without question, the discrepancy outlined above is at odds with the findings of the report following the Joyce Review, commissioned by the Australian Government, in relation to skills programs and VET funding which recommended that, *“the Australian Government and state territory governments agree to a new national agreement where the parties co-fund subsidised qualifications based on nationally consistent subsidy levels”*.

Funding the future of VET

In addressing the issues identified above, the question follows of how VET can be better aligned at a national level in the interests of quality, equitable and relevant training and skills delivery in Australia.

The MTA recognises that future funding of the VET system is a core consideration of the Productivity Commission's Interim Report, and that this is fundamental to the modernisation of the National Agreement for Skills and Workforce Development.

The MTA also acknowledges that geographical considerations and state by state cost of living considerations will also be a factor in any funding model, as apprentice employment costs and training delivery costs are generally higher in regional areas, and accordingly, incentives should reflect geographical challenges.

The MTA notes that Productivity Commission's Interim report recommends a voucher system for students, instead of subsidy payments to RTO's, to create fairness in the value of training.

"...reform can better be achieved through the provision of vouchers to businesses rather than students, on the basis that businesses are the key drivers of demand for training and skilling in the automotive industry."

This is an interesting proposal and has some merit, at least from the perspective of addressing the imbalance in funding between government players such as TAFE, and private and industry RTOs.

However, the MTA submits that better reform can better be achieved through the provision of vouchers to businesses rather than students, on the basis that businesses are the key drivers of demand for training and skilling in the automotive industry.

While student vouchers will undoubtedly facilitate user choice, there is a risk that voucher recipients will be at the mercy of the navigating the complex VET system, and they won't know where they want to train. Whereas, when you give the voucher to a business, it will make the value of the training component of apprentices more transparent and tangible, while incentivising the uptake of apprentices as an available resource.

However, whether any potential voucher scheme is or is not implemented, the MTA recommends that government set fair and equitable funding prices per unit of competency per qualification across Australia for government and non-government providers with additional loadings for regional and remote areas.

“...while some employers invest in having apprentices trained from year one, others are happy to not engage at all...”

MTA also believes there is strong merit in the introduction of industry training levies to contribute to the cost of funding apprentice and trainee training nationally. There is also consideration that this could be a driver towards greater participation by more employers to engage in apprentice and trainee trade training.

Finally, the MTA is of the view that the current system does not adequately incentivise employers to support the VET system. That is, while some employers invest in having apprentices trained from year one, others are happy to not engage at all, free-riding on the system, waiting until an apprentice is fully trained before employing them – effectively reaping the benefits of an ‘off the shelf product’.

Accordingly, incentives for employers needs to be reviewed in this regard, which will also have the added benefit of potentially increasing employment outcomes.

Mentoring and the retention of apprentices

The MTA notes Option 6.6 Pastoral, Mentoring and Upfront Assessment Services within the Interim Report stating that:

“Australian State and Territory governments could expand mentoring and pastoral services for VET students, including those undertaking apprenticeships...”

The MTA was a participant in the now ceased Industry Specialist Mentoring for Australian Apprentices (ISMAA) program, which delivered a 90% retention rate from 50% prior to the program for over 400 automotive apprentices in SA. It is our experience that this was an excellent program, designed to support employed apprentices, helping them to overcome barriers and giving them the best chance of obtaining their qualifications and increasing future employment opportunities.

Mentoring sessions conducted through the ISMAA program highlighted that the most common issues faced by apprentices were mental health and well-being (depression, anxiety, grief & loss and PTSD); drug and alcohol addiction; and financial hardship. The MTA also worked with apprentices who experience difficulties with their learning and some technical aspects of their roles. Mentoring funding also allowed us to engage relevant industry specialists to deliver 1-hour educational workshops at RTO’s during their training blocks in the following areas:

- Budgeting and Housing;
- AOD Care and Recovery;
- Suicide/Mental Health – Dealing with Anxiety and Depression; and
- Financial Counselling/Support.

“Structuring a mentoring program at the national level will demonstrate the strongest possible commitment towards this critical initiative...”

Another positive outcome of the mentoring program was making apprentices aware of government entitlements that they were eligible to apply for. Through the mentoring service the MTA discovered that a high percentage of apprentices were not aware that they could apply for Youth Allowance and Rental Assistance through Centrelink. This knowledge was positively received and a genuine relief to those apprentices who met the eligibility criteria.

While the Productivity Commission’s Interim Report recommends that State and Territory governments could expand on these services, it is the MTA’s view that funding and coordination for a program of this nature is best delivered by the Commonwealth Government. Structuring a mentoring program at the national level will demonstrate the strongest possible commitment towards this critical initiative and will avoid individual States or Territories discontinuing funding on their own, ultimately in the best interests of apprentices.

VET development and the role of industry

It is the MTA’s view that industry should always have the greatest say in the development and delivery of the VET system, as they are the drivers of demand for skills and ultimately, they will be the employers of the next generation of Australia’s skilled workforce.

At present, the MTA is concerned that accounting firm PWC has too influential a role in the development of VET products for the automotive industry, while lacking direct industry involvement or experience.

The MTA also has concerns that automotive training is currently bundled within the manufacturing industry for VET purposes. With significant changes and developments occurring internationally, such as the rise in uptake of electric and autonomous vehicles, training for the automotive industry deserves its own and discreet place in broader VET development.

Therefore, our belief is that this function should be through an industry aligned and industry coordinated body responsible for development and maintenance of nationally accredited automotive training qualifications in Australia.

An increased focus on entry-level literacy and numeracy is also vital. It is the MTA’s experience that the current school system is unrealistically progressing many students who lack in these core skills, which is ultimately to their detriment when it comes to their training and work with employers and overall value to society. Inevitably, this places the responsibility with employers and registered training organisations to complete the education process for this cohort.

“...an industry-led VET system is critical to supporting the automotive industry by training and skilling the next generation of apprentices.”

This experience is further supported by the National Skills Commission who recently identified that oral communication and numeracy as two of the 10 core competencies required for every occupation in Australia.¹

So ultimately, the MTA considers that while the stated objectives of the National Agreement are commendable in principle, they have failed to be flexible enough for the needs of emerging industries and rapid enough with policy change or development to cater for emerging and current industry needs, especially around a long-term stable funding model.

Despite the issues and concern raised in this submission, the MTA believes that an industry-led VET system is critical to supporting the automotive industry by training and skilling the next generation of apprentices.

The MTA supports reform efforts at a national level by bodies such as the Productivity Commission and the National Skills Commission, and we will continue to engage productively on this important issue in the interests of our members and the apprentices we train and employ.

4. Next Steps

The MTA is available to provide further information in relation to this submission and to clarify any aspect of it.

This includes meeting with agency representatives and facilitating further consultations with industry on proposed changes.

5. Submission Contact

For further information relating to this submission please contact:

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¹ https://www.nationalskillscommission.gov.au/sites/default/files/2020-06/NSC_a_snapshot_in_time_report.pdf