



Reforming the NASWD for a better VET system.

Australian Council of Trade Unions response to the Draft
Interim Report from the Productivity Commission Inquiry into
the National Agreement on Skills and Workforce Development.

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Introduction

Since its formation in 1927, the Australian Council of Trade Unions (ACTU) has been the peak trade union body in Australia. The ACTU consists of affiliated unions and State and regional trades and labour councils. There are currently 43 ACTU affiliates. They have approximately 1.8 million members who are engaged across a broad spectrum of industries and occupations in the public and private sector. Union members are engaged with the VET sector at all levels, from the development of training products through to delivering and undertaking vocational education and training. As a result, Australian unions maintain a critical interest in the VET system and its administration. We appreciate the opportunity to provide comment on the Commissions Draft Interim Report.

This submission will respond to a number of the requests for information contained within the interim report. Some of these requests have been combined where we feel they can be best addressed collectively.

Responses to requests for information

What role should competition play in meeting users' needs, including the quantity, type and quality, and regional accessibility of VET services?

Competition, the creation of a VET market, has long been considered a desirable policy objective for government, without any meaningful analysis of why this should be so. This has continued despite the reality, obvious to all that wish to see it, that competition has utterly failed to deliver on the benefits it originally promised. VET quality has only decreased under competitive models, as has accessibility and availability of training, particularly in regional areas. This has been combined with significant increases in costs, both to students and for government.

It should not be considered desirable, on that basis, for competition to be central to the delivery of these outcomes. Instead the role of competition in the VET market should be, at the very least, comprehensively reviewed. It is our view that the profit-motive, central to the current conception of competition within the VET market, is utterly corrupting to the true purpose of the VET system – the creation of skilled workers. We should be focussing on how best this can be achieved and then pursuing that course, rather than beginning with an assumption about the best tools, particularly when that tool has already proven ineffective, and moving forward from that assumption.

The very people and organisations which seek to profit from the VET sector are the same ones who continue to champion competition as a means to greater VET success. Yet none can point to a successful VET system either within Australia or internationally which utilises competition as a means to better VET outcomes.

Competition, if there is no significant evidence of its effectiveness as a tool to train skilled workers through the VET system that is not currently apparent, should play no further role in meeting user's needs in the VET system.

How should the efficiency of the VET market be measured?

When considering the efficiency of the VET system, we must consider its purpose – the creation of skilled workers. Efficiency measures that do not align with this broader purpose are not useful. Consequently, retention and completion rates of completed qualifications are useful; completion rates of disaggregated units less so. We should ensure that when we measure the VET system, we do so in ways which measure the outcomes we desire, not merely those which are easiest to measure. Some consideration should be given to the inclusion of metrics such as the percentage of VET graduates who move into higher skilled jobs post-completion in efficiency measures.

Linked to this is a need to more fully understand the true cost of delivering quality training. Currently there is no broadly agreed-to understanding of this cost, which makes measuring the efficiency of the system difficult. It is not possible to know how efficiently a system produces a particular outcome without knowing what inputs should be required to deliver that outcome. This

information is critical to an effective ongoing discussion of training provision and in avoid future large-scale policy failures.

What is the appropriate (and exclusive) role of public providers, and why?

Public providers of VET, the TAFEs in each state, should form the centrepiece of the VET system and should deliver the majority of VET training. Supported by not-for-profit private providers, TAFEs have the capacity to deliver high quality training across the spectrum of VET courses. TAFEs have historically provided high quality and comprehensive training catalogues. In fact, unlike private RTOs which can “cherry pick” the most profitable courses, TAFEs are required to maintain both courses and associated infrastructure as their community service obligations (CSOs). Private RTOs have no such requirement. TAFEs also have a track record of effective collaboration with their local community and industry to ensure that their training offering is based on local needs – rather than on what courses can be delivered most profitably. It is our view that public provision, with some not-for-profit support, is the only model of VET delivery that has a proven track record in delivering high quality training and producing skilled workers. It is our view that the appropriate and exclusive role of the public provision of VET should be as the central pillar of the VET system and the default provider of the majority of VET.

What are useful ways of defining and measuring the skills shortages (and surpluses) relevant to the VET sector? What factors are causing an apparently persistent shortage of skilled workers in some occupations, despite these occupations being a priority for government support?

Defining and measuring skills shortages is a complex and difficult task and it is one which, to date, government has largely failed to undertake effectively. Currently the government doesn't have access to any data sources that are sufficient to determine skill shortages in real time, particularly not at a sufficiently granular level geographically.

The government, accepting this reality, has largely fallen back on allowing employers to identify and define skills shortages, with remarkably few checks or processes to ensure that this is done accurately. Ideally, this process should involve engagement with employers, unions, state and local governments and TAFE providers. This broader group could more effectively identify skills shortages, while weeding out those occupations currently incorrectly identified as suffering a shortage.

It is particularly crucial to broaden the group which oversees this process as long as skills shortage lists are used to determine eligibility for temporary work visas. This system is often used by employers to access workers at a lower cost than local workers (many migrant workers are also more vulnerable to exploitation such as wage theft). A 2015 survey of employers using this program showed how employers use this system not to fill skill gaps, but to save money when it

found that only 1 in 100 had attempted to increase the salary of the position they were advertising prior to seeking access to temporary migrant workers.¹

It is this dual-purpose which partially explains the apparent persistent shortages in some industries. The use of skill shortage identification to drive training and to grant access to temporary visa workers are related purposes, but they are in fact opposed to one-another. Allowing employers access to workers who are often perceived as cheaper and more exploitable than locally-sourced workers, acts a direct disincentive for investment in the training of new workers. Many employers prefer to churn through multiple temporary worker placements rather than invest a similar amount of time in the training of a local worker or, as shown earlier, offer more competitive pay to attract an existing workforce. This means that skills shortages are not effectively addressed and that it remains in the interest of employers, who are the sole source of skill shortage intelligence currently utilised, to keep occupations listed as experiencing a shortage for as long as possible.

To what extent are skills forecasts based on future industry growth a useful and reliable basis for providing course subsidies?

Skills forecasts serve a valuable purpose in providing general and broad-based information about likely future skills trends based on future industry growth patterns. They are however likely only useful in providing the most general ideas about the skills that are likely to be in demand and as such can be of limited use in determining appropriate course subsidies. These forecasts could be valuable in setting nation-wide course subsidy levels based on likely future need but there would be a requirement for local flexibility based on a more granular understanding of skills needs and future industry growth.

In what circumstances do skills shortages justify course and employer subsidies and at what level of granularity?

Skills shortages absolutely justify course subsidies when they are acute or intractable and are having a significant negative impact on the capacity for industry to operate. It is not clear however why employer subsidies would be justified in these instances. Employers in the affected industry are the ones suffering the skills shortage and so are already receiving assistance through the subsidised training of their workforce. They should require no additional support to hire the workers they need.

Rather than employer subsidies, measures to support lifelong learning, potentially including co-contribution to learning 'accounts' by employers, tax incentives for individuals and ongoing access

¹ <https://www.aph.gov.au/DocumentStore.ashx?id=bd3269cc-37ae-4023-986e-582a4e11adb>

to funded/subsidised training and education, should be explored as measures which may increase skills flexibility within the workforce without funnelling further public funds towards employers.

What impacts would vouchers have on effective competition? What are the risks of vouchers?

As already outlined, the ACTU has serious reservations about the utility of competitive measures to incentivise the delivery of high-quality training in the current VET system. In inquiry after inquiry, for the last 30 years, the Productivity Commission has proposed the use of vouchers as somehow being able to enhance choice on the part of consumers. The PC is yet to point out a successful implementation program for vouchers in the education or training system, yet for the same period has continued to propose their use. The ACTU observes that it appears to be an article of faith among PC Commissioners that there is no area of public provision of services which would not be enhanced by the use of vouchers. It is beyond time that the PC look beyond the nostrums and certainties of 1980s economic fads and engaged with the real world of VET. The introduction of a voucher system would exacerbate the already negative outcomes that competition delivers. For evidence of this, we need only look at the outcomes of the VET FEE HELP scheme, which essentially acted as a voucher system (in that it represented an entitlement freely available to all people that could be used at any registered provider). Vouchers exposed billions in public funding as well as thousands of students around the country to unscrupulous providers who made millions of dollars while providing sub-par training or no training at all. This cost the taxpayer a fortune and deprived people who were already suffering from extreme disadvantage of their entitlement to publicly funded training. It is utterly bizarre that the PC, aware of this fiasco, would even consider the reintroduction of a voucher system. As long as for-profit providers exist in VET, any move to introduce a voucher-based system is likely to have the same negative outcomes.

To what degree and where should restriction on the VSL scheme be eased? What would be the costs and benefits of re-orienting the role of the Australian Government from a direct funder of the VET system to an issuer of income contingent loans to all students?

The ACTU would be deeply concerned about any expansion of VET Student loans to a larger variety of courses, particularly when combined with the Commission's recommendation that the cap on VET course costs be lifted. It is our belief that this would likely result in an increased cost to students for many courses, particularly as such a shift would likely result in a significant cost-shift from the states to the Commonwealth (and through that the students) as part of such a process. As stated earlier, we believe that many of the current restrictions on the VSL program are required in order to curtail the worst instincts of many for-profit providers. As long as these providers remain in the system, we would approach any attempt to reduce those restrictions with caution.

Unions representing apprentices have continually made applications to the various IR tribunals, employers and governments of all persuasions about the low pay and lack of entitlements of apprentices. Rather than looking to student loans, the PC should be inquiring about the appropriate

rates of pay and the conditions of apprentices and others who access the VET system. As the PC may be aware, many are subject to wage theft and exploitation, and part of that can involve employers failing to pay tuition fees, etc.

We would have similar practical concerns about any move to shift the federal government towards a less direct role in the VET system. State governments are already the dominant actors in many parts of the VET system and the result of this has been, at times, a restraining hand on needed reform and damage to the national nature of the VET system. Any move to further distance the federal government from the system would likely result in an entrenchment of state influence in the system and would further alienate the federal government from policy levers within the VET system.

Does the nature and size of the ‘apprenticeship problem’ merit new policy measures?

Prior to the advent of the COVID-19 crisis, the decline in the numbers of apprentices & trainees was a serious concern to Australian unions and we had been advocating for meaningful action from government for quite some time. Unfortunately, this has taken on an even greater level of urgency due to the Coronavirus pandemic. While the impact of the virus is hard to judge accurately, due to significant issues with data lag and availability, affiliated unions across multiple industries are reporting significant anecdotal evidence of widespread apprentice layoffs, suspension or cancellation of training contracts and the return of apprentices to group training organisations. The reality is that the measures in place prior to the crisis had failed to increase apprentice numbers or even to effectively slow their steady decrease. If these measures were not effective in a pre-COVID environment, it is not clear how they would begin to work in our current situation. We utterly reject the notion that apprentice pay and conditions, which are already low, are in any way responsible for the current situation and we have never seen any evidence that this is the case. It is our view that new measures are needed which address the true causes of falls in apprentice employment, namely:

- Low apprentice pay (which acts as a disincentive for many young people to take up an apprenticeship)
- Poor quality training experiences and workplace environments – these factors cause many apprenticeships to end prior to completion
- The low cultural esteem associated with undertaking an apprenticeship
- The ease of accessing temporary workers with no requirement to train local workers
- As identified by the Commission, the lack of pastoral care for apprentices.

Any changes to funding models, or other actions, that governments should undertake to address any potential breach of competitive neutrality principles in relation to VET services

As previously stated, the PC provides no proof of the applicability of the concept of competitive neutrality in the VET environment. The ACTU does not believe it should form the basis for VET policy making. VET should focus on the delivery of quality training with the aim of producing skilled workers. Requiring this to be done while also adhering to competitive neutrality is not only wasteful, it is directly contradictory to the aim. It is our view that government should further alter VET funding rules to more completely exclude considerations of competitive neutrality, guaranteeing 70% of funding to TAFE and ensuring that no public funding is available to for-profit VET providers.

In Summary

It is long past time for actors, including the Productivity Commission, who are unable to accept that a further investment in the policy failures of the past is not the answer to reforming our VET system to either cast away their allegiance to the economic orthodoxy of 40 years ago or to cease their role in the discussion of VET provision. It could not be clearer that the injection of more competition, the creation of more markets and the further reliance on the profit motive are the last avenues of VET reform which should be under consideration. These measures have failed to deliver quality training for skilled workers in Australia and it is not apparent that they have succeeded anywhere they have been tried. That the Commission continues to pursue concepts such as vouchers, including a request for a discussion of the 'risks' of vouchers when such things are well-known from harsh experience within the VET system, is an indicator of just how disconnected it has become from the reality on the ground in the system. It is our view that the Commission must fundamentally re-examine how it approaches the VET system, ending its habit of reaching for discredited ideological tools and determining how they can be applied and instead focussing on determining the best methods to assist the system in achieving its purpose – the training of skilled workers.

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