

Ai GROUP SUBMISSION

National Agreement for Skills and
Workforce Development Review:

Response to Productivity
Commission Interim Report

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Ai
GROUP

Contents

1.	Information Request: Role of competition in the VET Market.....	4
2.	Information Request: Career guidance for students.....	5
3.	Information Request: Designing a new intergovernmental agreement	6
4.	Information Request: Identifying and acting on skills shortages	7
5.	Information Request: Simplification of subsidy groupings.....	9
6.	Information Request: Impacts of vouchers	9
7.	Information Request: Implementing an expanded loans scheme.....	11
9.	Information Request: Assessing streamlining options	14
10.	Information Request: Employer incentives targeting disadvantaged groups..	14
11.	Information Request: Apprenticeship support network service delivery.....	15
12.	Information Request: Flexibility allowed by training packages.....	15
13.	Information Request: Pathways and Transitions.....	16
14.	Information Request: Evidence about mentoring and pastoral supports	20
15.	Information Request: The challenges of online delivery	21
16.	Information Request: Impacts of COVID-19	22

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

Megan Lilly, Head of Workforce Development

1. Information Request: Role of competition in the VET Market

As widely recognised by governments in Australia, Ai Group agrees there is a place for competition in the VET market. The enduring issue that has been faced around competition concerns the way in which it is fostered, managed, monitored and regulated within a training market that recognises both public and private providers. The complex characteristics of the sector mean that it cannot be a purely open and competitive market.

A key purpose of VET is to give people training that will equip them for new or more highly skilled employment.¹ Competition aims to ensure the system is responsive to industry by matching training to skills needs, providing access to students at a reasonable cost and producing quality training.

However, vocational education and training products and services vary greatly, as does the range of customers accessing them. Instances of more open competition has resulted in some damaging behaviour by private operators, which has not served the key purpose of VET, stated above. The market success has been hampered by limited information on courses, by easy loans, low fees and inadequate quality regulation. Some VET consumer cohorts have been assisted only because public operators are available to support them.

NCVER data show performance markers are mixed for public and private providers. Completion rates for private providers are typically 3-4 percentage points better than for public providers. It shows that for those training for employment-focussed reasons, a higher percentage of private providers' students are successful in gaining employment, and in achieving what students had sought to gain. However, a higher proportion of TAFE students are satisfied with the quality of training.²

There is no doubt that within the VET system the role of the public provider is vital to maintain. TAFE institutions provide access and support to disadvantaged and marginalised cohorts at foundational and higher levels, enabling them to engage and re-engage, giving them the opportunity to participate in the community or the workforce and/or improve their employment options. These groups are less likely to be well catered for, if at all, through private training provision, because they attract greater resourcing, support and counselling. As discussed in the Commission's Interim Report, TAFEs are also the providers left to service thin markets and regional and remote skill needs. During the pandemic state governments have recognised the increased skill needs of selected industries and impacted and disadvantaged cohorts and have opened access and reduced costs to selected courses at TAFEs – actions not achievable through a purely market system.

It is appropriate that Community Service Obligations (CSOs) are recognised by governments in the form of specific funding. CSOs must provide identified social benefits.

The CSO activities often involve delivery and support activities that would not be done on a commercial basis; private providers would only offer these activities commercially at higher prices.

1 Funding Review Discussion Paper, Mackenzie, B. and Coulson, N., 2015.

2 Should VET be contestable?, Keating, M., 2017

As noted by the Commission, improving the efficiency of delivery in these CSO areas through competition is challenging. Ai Group does not believe that competition-based policy levers applied to this part of the VET market would result in widespread, accessible and quality provision for the disadvantaged cohorts of the community. In an unregulated market these cohorts could be neglected. Industry supports access to all cohorts that can contribute to the needed pool of skilled labour into the future.

It is understood that the principle of competitive neutrality must be a consideration with regard to public and private providers in VET; that government entities must compete fairly in the market, and that businesses competing with government-owned businesses should do so on an equal footing. However, the advantages to public providers arising from their public ownership are tempered by the higher infrastructure, overhead, resource and labour costs, often tied to CSO requirements.

While supporting the unique position of the public provider in VET, Ai Group does believe there is room for more transparency around funding on the basis of CSOs to public providers. Funding by states and territories should clearly articulate the components of the funding and what it is they are supporting in recognition that costs are greater and efficiency is affected. Public providers must increase their flexibility to tailor for industry and existing workers.

The complexities of the VET system must be considered when attempting to optimise efficiencies in the VET market. While financial performance measures dominate, the market must incorporate efficiencies in the light of all student cohorts and employer choice, completion, satisfaction, and post-study employment. Considering all of these measures is the only way to ensure that public and private training provision finds a true balance between co-existence and competition. This will build the confidence of industry to invest in vocational education and training.

2. Information Request: Career guidance for students

While vocational education and training pathways have been given priority in the National Career Education Strategy and the Expert Review of Australia's Vocational Education and Training System, more action is still required. The over-emphasis on academic success in traditional subjects has led to a lack of exposure to vocational options even when students may be better suited to, and have better work outcomes, within these pathways.

There is concern that school careers advisors do not adequately understand or promote career opportunities attained through training in the VET sector. It is important for those providing careers advice to be aware of industry's emerging skill needs, including an increasing requirement for higher level skills at the trades and paraprofessional levels.

Schools careers advisers should be expected to gather information about a wide range of industries and occupations that may appeal to their students, and not just rely on what is sent to them. If careers teachers were required to hold a relevant careers education qualification, this may help deepen their skills and knowledge of this field of education. Careers advisers are not

always full-time in the position and will often have other teaching responsibilities. It is important that schools are resourced to have full-time and qualified advisers.

Demonstrated educational and employment outcomes following vocational education and training can improve the reputational standing of VET and public perceptions of it. Information on wage and employment outcomes after training by qualification and field of education can assist students, teachers, parents and school communities make better informed decisions about subject selection and pathways to further education and employment.

By providing evidence of where employment is projected to grow, the level of remuneration for in-demand skills in those industries, and the types of qualifications required to undertake certain tasks and roles in those industry sectors can help shift student attitudes to VET pathways.

The National Careers Institute and National Skills Commission are in a prime position to raise the profile and standing of vocational education and training, particularly at the senior secondary school level, given their intent to move VET to parity with the higher education system in terms of public confidence in its quality and value.³

3. Information Request: Designing a new intergovernmental agreement

The negotiation of a new principles-based agreement as outlined in interim recommendation 2.2 promises to consider the major principles relevant to an improved VET system. While over-arching principles would become the driving framework, the way they are implemented as coherent systems and approaches across governments will determine levels of success. Much of the discussion in the Interim Report and subsequent responses address the way they could be implemented.

Regarding the Commission's request on how to consider other educational sectors given a principles-based agreement, Ai Group holds the view that greater coherence is needed between the VET and higher education sectors around key features. We believe that VET sector issues and solutions, in many instances, intersect with the higher education system. Our 2019 paper, [*Realising Potential: Solving Australia's tertiary education challenge*](#), contends that issues affecting the tertiary sector as a whole should be considered, with design having regard for the nexus between the sectors. While recognising the distinctive features of each sector, *Realising Potential* argues for post-secondary education and training to be re-established as a tertiary sector not characterised by the current unbalanced binary model that has no coherent policy and funding framework and poor connections.

We recommend in the Paper:

- There is a need to establish a long-term policy view for tertiary education rather than addressing components of the overall system.

³ Department of Employment, Skills, Small and Family Business, *Co-designing the National Skills Commission*, Discussion Paper, September 2019

- Given the low volume of student transfer between higher education and VET there is a need for a model that includes more systematic methods to facilitate movement between the sectors.
- The establishment of equitable funding arrangements across the sectors and between levels of government.
- The retention and improvement of demand-driven funding mechanisms in tertiary education.
- The establishment of one tertiary education student loan scheme to create a more equitable and cost-effective system.
- Maintaining both TEQSA and ASQA as respective regulators for their systems while establishing joint functionality in appropriate and agreed areas.
- There is a need for greater and more equitable policy and funding coherence for mid-professional learning where the higher education and VET sectors overlap.
- The promotion of workplace learning as a recognised key delivery component in all tertiary education.
- The need for the new qualifications structure in Australia to incorporate the emergence of micro-credentials and any other developments impacting on the key outcomes of tertiary education.

Ai Group’s paper also recommended the formation of a central and independent coordinating agency to provide common approaches across the tertiary sectors. For policy coherence, an independent co-ordinating agency would engage in consistent, continuous and longer-term strategy development to ensure the articulation of views needed for the effective development and monitoring of a national tertiary education strategy.

4. Information Request: Identifying and acting on skills shortages

The establishment of the National Skills Commission (NSC) and assigning it with the task of researching the current and emerging skills needs of Australia will consolidate this research into one agency that specifically focusses on the VET sector.

The NSC in its first report⁴ has discussed new initiatives such as JEDI — the Jobs and Education Data Infrastructure project — and ‘nowcasting’ as “two examples of ways to harness new approaches and technologies to provide a better understanding of current, and future, skills needs.” JEDI will use big data to bring together a wide range of labour market, skills and education data to identify what skills from a person’s current or previous employment can transfer to

⁴ National Skills Commission, A snapshot in time: The Australian labour market and COVID-19, July 2020

different jobs that use similar skills. Nowcasting will enable analysis of labour market trends in near real-time to provide a more timely, accurate and granular view of what is happening in the labour market. Both of these initiatives will greatly improve the skills shortage analysis previously undertaken by governments.

One of the advantages of JEDI is that it can report on the skills employers are looking for, not just the occupations. Ai Group has previously called for a skills-based approach to skills assessment, which can help new entrants and workers to identify job opportunities in occupations that use similar skills to those they already have. This can allow them to consider growth occupations outside of their current specialisation, identify where their skills gaps might be, and train for the gap, rather than a full qualification.

Reporting on skills shortages and skills gaps in this way is very useful for an individual planning their career from the outset or looking at a career change, which will be more common as a result of COVID-19. This information will need to be presented in layman's terms and widely publicised by the National Careers Institute.

Using skills shortage information to inform government priorities for incentives for training or encouraging employment of apprentices or trainees is a different concern.

Governments use skills shortage information to prioritise courses through higher subsidies and to provide incentives for employers of apprentices and trainees. But however accurate skills shortage research can be, it can only report on the past. Careful analysis and good assumptions might enable considered predictions for future needs, but these are still predictions and might not take into consideration new innovations or technologies, or even unpredictable events like the current pandemic. This will mean that increased or decreased subsidies and incentives, and the consequent changing of behaviour by students or employers, will be based on a 'best guess' that may or may not be right. Incentives for employers should be based on the cost of supervision or the cost of training delivery.

The question of why some occupations report a persistent shortage of workers is pertinent in this context. Some occupations are not attractive to new entrants to the workforce; because of perceptions of low wages, poor career progression or the nature of the work. No amount of incentive for employers or for training providers will rectify this situation. However, there is a danger that as employers look to other ways to address their requirements, whether it be through new technology or through upskilling in-house, the occupations will drop off the skills shortage list and the incentives will disappear, thereby exacerbating the problem.

Better careers advice about job opportunities and career progression will help address some issues of attracting people to jobs that struggle to attract new entrants.

5. Information Request: Simplification of subsidy groupings

Ai Group believes subsidy groupings should be simplified through the establishment of nationally consistent efficient and effective pricing for courses. This pricing would include loadings that factor in localities and variations in student needs and equity groups, including rural and regional areas, indigenous students, learners from disadvantaged backgrounds and learners with disabilities.

With the price of qualifications set nationally, flexibility should be provided to states and territories to determine levels of subsidies and levels of student fees that reflect their own priorities around growth industries, skills shortages, desired employment outcomes, social policy objectives and public/private contribution balance.

Ai Group has previously called for national consistency in costs, pricing principles and methodology, and reiterates its view here that such an approach will be beneficial to industry. Different systems and mixes of course costs across jurisdictions have caused confused messages for employers engaging with the system, particularly those operating nationally. Within individual state systems the result has been that the needs of industry, businesses and students have not always been met.

A more efficient VET system is needed through national consistency, but a level of state-based flexibility will allow tailoring to meet specific skill issues. While flexibility in subsidy setting across jurisdictions, based on national prices, will mean a variation in subsidy levels across states and territories, the benefit is employment outcomes attuned to localised needs.

The program of work already commenced by the National Skills Commission promises to extend to activity that will result in a common method for calculating costs, a deeper analysis of skill shortages across all regions of Australia, and an assessment of all support provided to equity group students in order to determine loadings. Jurisdictions have previously only estimated course costs and national settings must now incorporate previous costs, different teaching methodology, student needs, providers, locations and course characteristics, as recognised in the Interim Report.

A new subsidy regime for VET must also establish transparency of the criteria and reasons for decisions on pricing and funding levels. National price setting allows for this. An ongoing effective framework for collaboration between the NSC and all jurisdictions will be a key driver of success, as will regular and stringent reviews of cost bases.

6. Information Request: Impacts of vouchers

Ai Group is not in favour of the re-introduction of a voucher regime for the VET system as an alternative to subsidies provided to RTOs. While it is clear that voucher or entitlement schemes have advantages, there are also drawbacks. Recent experience in Australia suggests great caution around this model for VET. The experience of the Victorian Entitlement Scheme from 2009, after consideration of student entitlement by COAG in 2008, resulted in a large budget blow out by 2011. The market changed to include a huge expansion of private RTOs and there was a contraction in public provision. There was found to be 'rorting, substitution and charging of low

fees, negatively affecting students, employers, VET providers and the government purse'.⁵ The state experienced college collapses, student exploitation, courses with little relationship to job outcomes, sham qualifications, and ineffective regulatory intervention.

All other states implemented entitlement models after the National Partnership on Skills Reform was signed in 2012. None took their implementation as far as Victoria and some have since been modified or privatisation reversed, with jurisdictions focussing on shaping the distribution of places to industry needs.

The experience of vouchers shows there are both benefits and drawbacks.⁶ Voucher systems can be attractive because the benefits focus on the expansion of consumer choice: allowing individuals to determine the specific programs they undertake, encouraging them to make good choices. Voucher systems can also improve the performance of training providers, by injecting competition into service delivery as they compete for students.

Voucher systems can be designed with various supports that move away from pure systems. Some systems place limits on the amounts students receive; they specify items on which the funds can be spent; they make payments to providers partially contingent on completion of programs; and they require training providers to complete formal RFP or RFQ applications to build rigour into reviewing and approving the trainer operations.

However, Ai Group considers the risks of a voucher regime applied to Australia's VET system are too high. We do not believe a system would operate effectively or equitably given the parameters and characteristics of Australia's system and the current level of supports that surround it.

As experienced in Victoria, there is the risk of high volumes of delivery by providers in low-cost areas in order to extract the maximum revenue from students' entitlements. Budget control would be difficult. There are risks for individuals. Consumers may not make a choice that is suitable to their capabilities. They may not choose courses for occupations that are in demand or have projected growth and their decisions may result in primarily private gains rather than the social gains desired by governments and the community.

Critical levers needed to eliminate the risks include access by consumers to accurate labour market information and data, occupations and salaries; to assessment and counselling services on appropriateness of training considered by the individual; and to support in selecting a training provider.

If a voucher scheme was applied in Australia but vouchers were not available universally with a 'capping' process operating, the system would impinge on equity – there would be clear disadvantage for some students having to pay higher amounts to undertake the same course. There is also the risk of individuals without support and guidance exhausting the value of the voucher at a young age and without a satisfactory result in terms of qualification/skill attainment.

⁵ VET Funding Review Discussion Paper, Mackenzie, B. and Coulson, N., 2015.

⁶ Changes in funding in Australian vocational education and their effects, Bourke, G, 2018 and Vocational training and lifelong learning in Australia and Germany, Burke, G. and Reuling, J. (ed.), NCVER, 2002.

There is a risk for effective competition, where some providers could attract an unevenly high share of voucher usage, while not necessarily reflecting the quality of their delivery.

Before any voucher system is contemplated for implementation in the VET system, Ai Group recommends a detailed investigation of previous schemes applied to VET in Australia to ascertain the behaviour and impacts on students and providers and to avoid repeating past failures.

7. Information Request: Implementing an expanded loans scheme

Ai Group agrees that some expansion should be introduced to the VET Student Loans scheme. We believe that increasing the level and range of approved qualifications to provide availability to students undertaking qualifications from Certificate IV through to Advanced Diploma level, and reviewing loan caps, will provide a scheme more comparable to HECS-HELP for higher education. It would likely result in potential students making decisions to undertake post-secondary qualifications better suited to their capabilities and career interests, gaining employment outcomes, and would assist the development of a pool of skilled labour at the range of skill levels required by industry.

Industry's interest in broadening the current restrictive loans scheme stems from the potentially negative influence it is having on a balanced level of skills required now and into the future. While 2019 Australian Government employment growth projections by skill level to 2023 showed 11.8 per cent growth for bachelor degree or above (skill level 1), industry still requires paraprofessionals, technicians, trades workers and services workers from skill levels 2 – 4 which make up another 21.1 per cent of projected employment growth.⁷

Before the pandemic, industry had faced significant skills gaps, particularly for technicians and trades workers⁸, and these specialist skill needs will still be demanded into the future despite a likely greater supply of labour. However, the current VSL scheme has the potential to skew the supply of skills in the pipeline by influencing higher level students considering VET qualifications to undertake higher education qualifications. Further, for individuals considering Certificate IV qualifications, lack of access to a loan becomes a deterrent from participating in the formal training system, causing a lower supply of skills at this level.

It is not recommended at this stage that Certificate III qualifications be included in a revised scheme. At Certificate III level there are a large number of variables that make their inclusion problematic.

There are significant variations in Certificate III qualifications, which cover a broad range of industries and occupations. Depending on the industry, these qualifications can skill people for roles or be at pre-entry level and provide pathways to further learning. Certificate III qualifications include both trade and non-trade qualifications, encompassing apprenticeships and traineeships.⁹ This means that while the volume of learning is typically one to two years for some Certificate III

⁷ Employment Projections, 2019-2023, Labour Market information Portal, Australian Government, 2019.

⁸ Skilling: a National Imperative, Workforce Development Needs Survey Report, Australian Industry Group, 2018.

⁹ Review of the VET Student Loans course list and loan caps methodology Discussion Paper, Australian Government, 2019

qualifications, up to four years may be required to achieve the learning outcomes through a program of indentured training/employment. Other complexities exist for apprenticeships when considering them as part of a loans scheme including industrial agreements, the existence of employer subsidies, the fact that employers often pay for student fees, and separate trade support loans.

Certificate III qualifications train people for occupations in some industries that attract low private returns. NCVET data show a large discrepancy between median annual incomes for graduates from training packages in Community Services (\$45,500) and Tourism, Travel and Hospitality (\$48,000) compared with Construction, Plumbing and Services (\$65,000) and Resources and Infrastructure (\$77,000).¹⁰ As an example, salaries for Childcare Assistants who have completed a Certificate III in Early Childhood and Care start from a range of \$38,000 - \$42,000.¹¹ Under a loans scheme, while workers earning such low incomes may be less likely to reach the repayment threshold, if they do, the repayment burden would impact their ability to achieve other goals, such as eligibility for housing or car loans.

It is important for industry that loans extend to students undertaking one or a number of units from a qualification in support of the increasingly regular need for individuals to be reskilled and upskilled in digitised workplaces. This is a necessary component of a new loans scheme as changes in the workplace quicken into the future and targeted training is needed to meet specific and emerging skills needs. Linking lifelong learning to workforce productivity is now essential.

The design of the extended VSL scheme should also determine any specific courses that remain ineligible for loans.

While the VET system suffered major damage through the design and implementation of the previous loans scheme, the significant review and subsequent introduction of tightened compliance and reporting measures means they are now available to be rigorously applied to a new, broader scheme. This includes the process for providers to become VSL approved course providers.

Ai Group considers that the current maximum loan caps on VSL should be lifted, primarily because of the potential for discouraging uptake and causing students to enrol in higher or lower level courses at a lesser cost and/or those that invite loans. It has been suggested that one reason for the under-utilisation of the scheme is that the loan caps are inadequate for many of the courses which have VSL approval.¹² The risks of driving RTO behaviour to offer fewer and different courses and at lower quality is also present at the current low caps.

The design of a new system will need to find a 'middle ground' in relation to borrowing limits to prevent a new regime that drives large RTO fee increases into the market. Any revised system should consider that while there are maximum loan amounts payable for a course under the current scheme, there are no upper limits on the tuition fees that a provider may charge, with potential for provider loans for gap fees.¹³

¹⁰ Australian vocational education and training statistics, VET student outcomes NCVET, 2019.

¹¹ As stated by OpenColleges.edu.au and KinderCareers.com.au

¹² Problems with the VET Student Loans Scheme, Claire Field and Associates, 2020.

¹³ The VET Student Loans Scheme: Is it a good model for a student loan scheme? Warburton, M, LH Martin Institute, 2017.

We agree that a transition path is warranted to test new levels of caps and broader qualifications' eligibility. We also support a review that ensures threshold repayment levels reflect increasing income levels, similar to the higher education scheme.

The extension of VSL should be considered within the need to increase the overall volume of funding to the VET system. While extending VSL, Ai Group believes the Australian Government should remain a direct funder of subsidies, along with the states and territories, necessitating continued Commonwealth/State and Territory agreements.

There is universal agreement that students need to contribute to the cost of tertiary education. However, we are conscious that an expansion of the current scheme necessarily shifts long term financial burden to individuals. Course subsidies should remain so that students do not bear the full cost of qualifications.

8. Information Request: Implementing new support arrangements for trade apprenticeships

Apprenticeships are highly valued by employers and the wider community as a key platform to produce skilled workers for industries and to provide meaningful and skilled careers for our youth. There has been much tinkering with apprenticeship models over the years. In the 1990s they were merged with traineeships by the Commonwealth Government and renamed Modern and then Australian Apprenticeships. Trade papers or completion papers were abolished in some states, causing confusion for employers about who had completed an apprenticeship. During the 2010s, competency-based pay progression was introduced, effectively reducing durations by up to twelve months.

Despite the sometimes confusing changes to the model, apprenticeships are still valued and numbers (of apprentices, not trainees) have remained relatively constant over the years, despite the vagaries of a fluctuating economy, skilled migration and technological change.

The contention that financial incentives do little to affect apprenticeship commencements is acknowledged; however, there is ample anecdotal evidence that employers do take financial incentives into account when making the decision to employ an apprentice or take on an additional apprentice. For a large company with decisions devolved to smaller business units, these incentives can make the difference when finding room in the budget for an apprentice. For smaller employers, the incentives can cover the cost of enrolment fees at TAFE.

There has been little to no research into the effect of removing incentives for employers. These incentives have been losing value over the years, and the Interim Report notes that incentives "now account for less than 2 per cent of the full costs of hiring and training a trade apprentice". However, the incentive also represents an acknowledgement by Government that the employer is contributing to a greater good by employing apprentices, and to lose this minor compensation may prove to be the straw that breaks the camel's back.

Ai Group recommends retaining employer incentives for apprentices, and recommends increasing their value to provide a greater recognition of the employer's contribution.

Poaching of apprentices is raised from time to time by some employers as a reason for not using the system, although a scan of job advertisements will show plenty of vacancies for third and

fourth-year apprentices. Ai Group suggests that a study into the issue by the NCVER may help shed more light on how big a problem poaching represents. If poaching is only minor, the sledgehammer solution of industry levies may be completely unwarranted. It is noted that the South Australian Government, in its proposed update to the Training and Skills Development Act 2008, plans to introduce a transfer fee payable by a business recruiting an apprentice already in training to the losing employer. It will be interesting to see if this affects the incidence of poaching in that state.

The suggestion that industry levies could address poaching appears feasible; however, research into the effect of levies at other times and jurisdictions suggests they should be carefully considered and well designed.

The Training Guarantee Levy was introduced in Australia in 1990, and lasted until 1994. NCVER report 62,300 apprentice commencements in 1990, dropping to 50,500 in 1994.¹⁴ Australia was in recession during this period, but the evidence does not demonstrate an increase due to the levy.

In the UK, the Apprenticeship Levy was introduced in 2017, requiring employers with a payroll of over £3 million to contribute 0.5 per cent of their payroll to apprenticeships. Smaller companies are subsidised by the government. However, apprenticeship commencements have reduced since the levy began,¹⁵ especially for younger people, and there are criticisms that larger companies are using their contributions to fund higher level training for existing employees, including some universities funding training of their own academic staff at PhD level.¹⁶

Ai Group recommends against implementing an industry levy without further research into the issue of poaching. Ai Group has no suggestions about how a levy could be designed, but urges caution in developing such a policy solution to guard against unexpected behaviours.

9. Information Request: Assessing streamlining options

Ai Group agrees with the analysis of the Productivity Commission that the multiple incentives offered by state, territory and Commonwealth governments can be confusing for employers. The simplest and cheapest solution would be for state and territory governments to agree to task the Australian Apprenticeship Support Network with the responsibility to determine eligibility for all programs wherever they originate. There would need to be agreement by state and territory governments regarding how each incentive is separately acknowledged.

10. Information Request: Employer incentives targeting disadvantaged groups

Ai Group agrees with the recommendation of the Productivity Commission to remove the National Skills Needs List (NSNL) and extending eligibility to the incentives it confers (Trade Support Loans, incentives for existing employees and additional incentives for older apprentices) to all trade apprenticeships. Such a decision would recognise the contribution these employers make over

¹⁴ NCVER 2019, Historical time series of apprenticeships and traineeships in Australia, from 1963.

¹⁵ House of Commons Library 2020, Briefing Paper 06113, Apprenticeships Statistics.

¹⁶ Tom Richmond, EDSK 2020, Runaway training: Why the apprenticeship levy is broken and how to fix it

three or four years in terms of wages, supervision costs and training costs, regardless of whether the occupation is in shortage. The recommendation would also be simpler to administer than the proposed arrangement.

Ai Group believes that the current practice of providing additional incentives for employing those from disadvantaged groups is an important strategy in promoting their consideration. State and territory governments also target these groups through strategies like setting minimum employment targets for large-scale government projects or paying group training organisations incentives for employing selected cohorts in apprenticeships and traineeships.

Ai Group is not aware of any studies into the effect of incentives in promoting the employment of disadvantaged people in apprenticeships or traineeships, and recommends that any changes in this area should be preceded by careful research.

Group training organisations employ more apprentices and trainees from disadvantaged groups and have better completion rates for those placed in small businesses than for those employed directly by small businesses.¹⁷ Ai Group recommends that any review of incentives for disadvantaged groups take into consideration the improved results provided by group training organisations.

11. Information Request: Apprenticeship support network service delivery

Ai Group supports the third option under 7.3, recommending better cooperation with state and territory governments to jointly contract AASN providers. Common complaints from employers include: too many organisations to deal with when managing an apprentice; that it is confusing determining which organisation is responsible for what function, and finding that services often overlap. Joint contracting may help reduce the number of stakeholders and therefore the amount of confusion.

The two other options may lead to greater clarity, but publishing more information does not necessarily mean that employers will find it nor understand it.

12. Information Request: Flexibility allowed by training packages

Training Packages have attracted considerable commentary for as long they have been in existence. They have had passionate advocates and ferocious critics, in equal measure. Too often the commentary has been unnecessarily polarized and intransigent, and often at the expense of more fundamental questions.

There are more important questions that underpin this information request about how to manage the trade-offs between consistency and flexibility. These questions relate to the intended purpose

¹⁷ O'Dwyer, L & Korbel, P 2019, Completion rates for group training organisations and direct employers: how do they compare?

of training packages, the design principles of qualifications, consideration of contexts for application and the needs of the learners.

Furthermore, the Australian Qualifications Framework (AQF) has been revised and approved in-principle by the Australian Government. Important work is underway with respect to how this will impact across the tertiary education sector. This work is in its infancy in the VET sector, yet it is vital in terms of strategic direction. Any consideration of training package reform should only be undertaken in conjunction with the development of the design and implementation process of the revised AQF. This is a critical opportunity for substantial and timely reform, rather than another round of tinkering.

Ai Group released a paper in February 2020, [Reimagining Vocational Qualifications](#),¹⁸ which lays out a critical consideration of qualification design and purpose in the light of the revised AQF. The paper provides Ai Group's position in greater detail and forms a core component of our response to the Productivity Commission.

13. Information Request: Pathways and Transitions

VET programs delivered in schools have many examples of work-based learning opportunities that deepen a student's knowledge of the workplace and expose them to real-world situations that require the practical use of acquired skills. School-based apprenticeships and traineeships (SbATs) can sometimes fulfil the component of work-based learning for school students in VET courses.

However, data from the National Centre for Vocational Education Research (NCVER) has consistently shown in recent years declining participation in VET programs delivered in schools and school-based apprenticeships and traineeships.¹⁹ These declines also reflect a shift to more academic pathways into higher education, beyond secondary schooling.

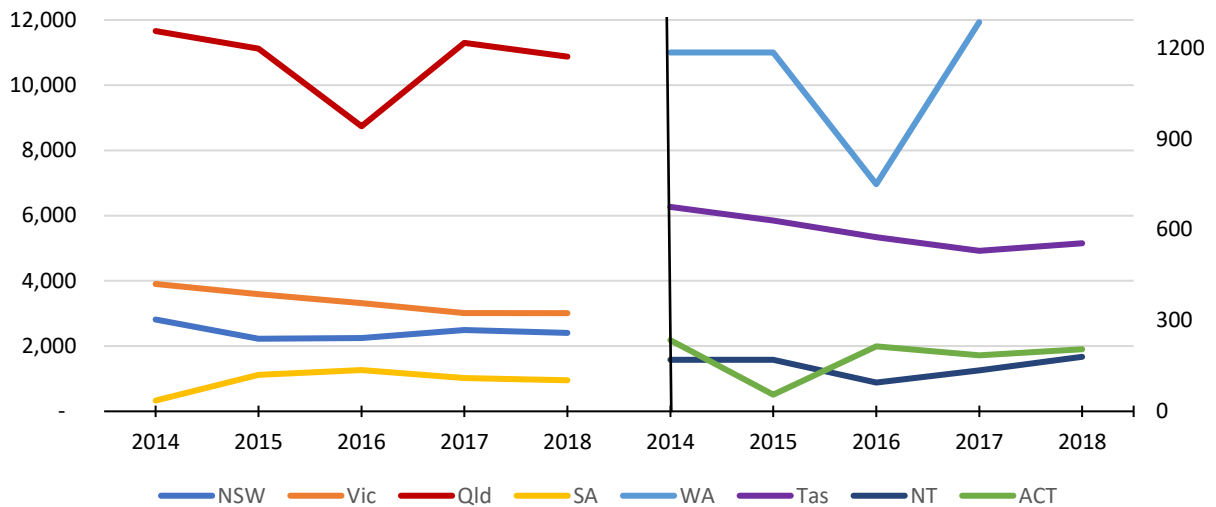
NCVER data show that nationally, in 2018, there were 230,700 VET in Schools (VETiS) students of whom 18,200 were undertaking a SbAT. In comparison to 2017, the total number of VETiS students nationally were down by 4.7 per cent, with SbATs down by 8.9 per cent. Over the five years from 2014 to 2018, the total number of VETiS students nationally went down by 6.7 percent and SbATs decreased by 13.3 per cent.

State jurisdictions that saw a decline from 2017 to 2018 in SbAT numbers included New South Wales (-3.9 per cent), Victoria (-0.1 per cent), Queensland (-3.7 per cent) and South Australia (-6.8 per cent). The jurisdictions that experienced an increase in the past 12 months, it should be noted, started from a very low base, as is demonstrated in the graph below:

¹⁸ Ai Group (2020), *Reimagining Vocational Qualifications* [available https://cdn.aigroup.com.au/Workforce_Development/Reimagining_Vocational_Qualifications.pdf]

¹⁹ NCVER (2019), *Australian vocational education and training statistics: VET in Schools 2018*, NCVER, Adelaide

School-based Apprenticeships and Traineeships ('000), 2014 – 2018

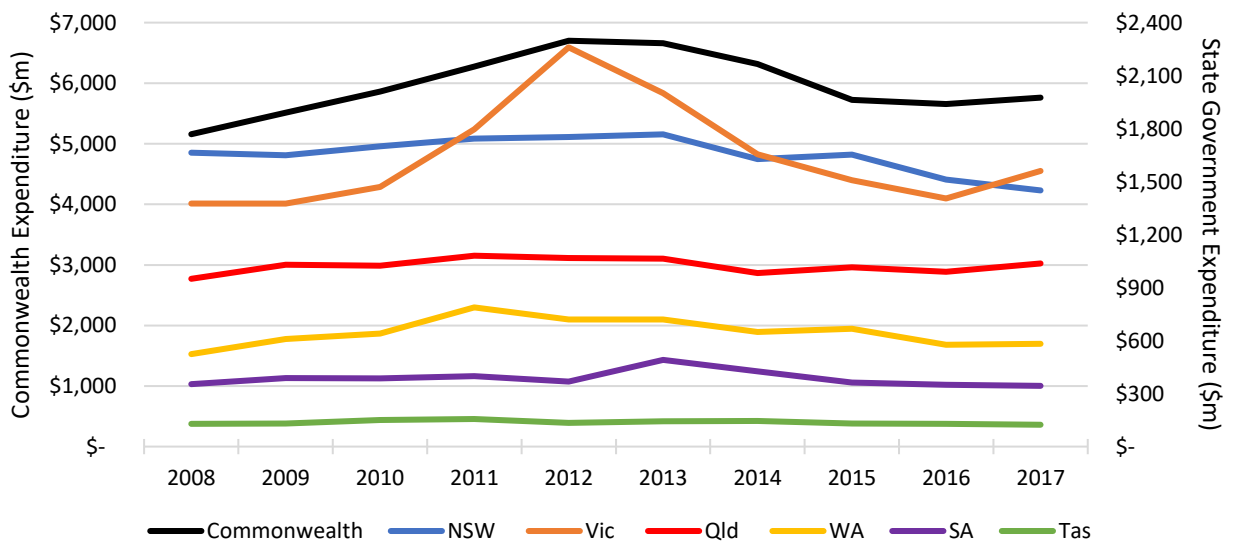


Source: NCVET, VET in Schools 2018: data slicer, 2019

NB: No data is recorded for Western Australia in 2018

Declines in student participation in vocational education and training may be attributed to a corresponding decline in government investment in the overall VET sector, including VET programs delivered in schools, as evidenced in the following graph, which shows total federal and state government (excluding the Northern Territory and ACT) real recurrent VET expenditure (excluding capital) over the decade from 2008 to 2017:

Total federal and state government real recurrent VET expenditure, excluding capital (\$m)



Source: Productivity Commission, Report on Government Services 2019; ABS, Government Finance Statistics, Education, Australia, 2016-17

NB: State expenditure includes VET in schools funding

Based on 2018 data, 55 per cent (126,495 students) of VETiS qualifications were at the Certificate II level, and 35 per cent (79,860 students) were at the Certificate III level²⁰ – accounting for 90 per cent of total school delivered VET programs – however, the recent shift to higher AQF levels,²¹ including at the Certificate IV and Diploma and higher levels, doesn't necessarily mean that high school students are better equipped to move into the workforce immediately after graduating.

Many schools use VETiS, structured workplace learning and SbATs as taster programs. NCVER defines apprentice and trainee status as being where 'a student is enrolled in at least one module/unit of competency in a school-based apprenticeship or traineeship'.²² The exposure to work-based learning is invaluable, but in these instances, it is limited.

In 2018, of the 6,890 students in Metal and Engineering (MEM), only 545 did a SbAT. Seventy-two per cent of VETiS students in that parent training package did so at the Certificate II level, while 17 per cent did so at the Certificate I level and 11 per cent at Certificate III level.²³ Likewise, of the 13,200 students in the Construction, Plumbing & Services Integrated Framework (BCF, BCG, BCP, CPC) fields, 71 per cent undertook a qualification at Certificate II level, 17 per cent at Certificate I level, and 12 per cent at Certificate III level, with only 10 per cent undertaking an SbAT.²⁴ At these levels, school leavers are not work-ready, having only acquired a basic skills level; however, there is evidence that those who undertake VETiS programs in trade-specific pathways often gain employment in the destination occupation, which would usually be through a post-school apprenticeship.²⁵

It is important that these students are encouraged into further education and training, and that these entry-level and foundational level qualifications act as pathways to higher skills attainment. Based on 2017 research undertaken by NCVER, of the student cohort doing VETiS in 2006, by 2011 only 56 per cent of those students were working, with a further 23 per cent both studying and working, and 13 per cent not studying or working.²⁶ Only 42 per cent of the 2006 cohort had attained a non-school qualification. Given this sample group would have emerged during the Global Financial Crisis, and considering the current global economic climate, today's VETiS students cannot expect to land employment immediately upon exiting school, especially when 90 per cent of jobs today require a post-secondary qualification.²⁷ Students who are not encouraged into further education and training will be severely disadvantaged during the economic fallout caused by the global pandemic, and they will suffer the effects more acutely as the economy recovers and they get left behind.

²⁰ NCVER (2019), Australian vocational education and training statistics: VET in School 2018 – data slicer, NCVER, Adelaide

²¹ Misko, J., Korbelt, P. & Blomberg, D. (2017), *VET in Schools students: characteristics and post-school employment and training experiences*, NCVER, Adelaide

²² NCVER (2019), *VET in Schools 2018: terms and definitions*, NCVER, Adelaide

²³ NCVER (2019), Australian vocational education and training statistics: VET in School 2018 – data slicer, NCVER, Adelaide

²⁴ *ibid*

²⁵ Misko, J., Korbelt, P & Blomberg, D 2017, *VET in Schools students: characteristics and post-school employment and training experiences*, NCVER, Adelaide

²⁶ NCVER (2017), *VET in Schools: a pathway to post-school employment and training – infographic*, [available https://www.ncver.edu.au/data/assets/pdf_file/0040/963499/VETiS-infographic.pdf]

²⁷ Department of Employment, Skills, Small and Family Business, *Future jobs growth to favour skilled workers*, October 2018, <https://www.employment.gov.au/newsroom/future-jobs-growth-favour-skilled-workers>

Transitions between tertiary education sectors

Insofar as improving student awareness of credit entitlements and addressing barriers to students applying for credit, the newly minted National Careers Institute and the National Skills Commission can play a leading public education role among students and tertiary education institutions. Some of the recognised barriers include the byzantine processes through which students and tertiary education providers must navigate and map qualifications from one place to another. This can be a discouragingly costly and time intensive exercise, and is often performed at the discretion of the training provider.

Chapter 5 of the AQF Review on the AQF Qualifications Pathway Policy, regarding credit points and recognised prior learning, makes a number of important observations and recommendations, which the Australian Government has accepted. However, several persistent challenges remain. In the context of VET, the NCVER has observed the diminishing use of RPL, which was applied to 4.8 per cent of all VET subjects successfully completed in 2018.²⁸ In its examination of RPL, the NCVER has uncovered inconsistencies in the use of RPL across jurisdictions, training packages, student characteristics, and for those undertaking an apprenticeship or traineeship.

Transitions from education to employment

Language, literacy, numeracy and digital (LLND) skills remains a perennial area of importance of skills development in the Australian workforce. Poor literacy and numeracy will hamper the re-build of productivity, labour mobility and the capacity of the economy to achieve the higher levels of skills needed for the increasingly knowledge-based economy.

Ai Group's 2018 workforce development skills needs survey²⁹ found 99 per cent of employers experienced low levels of literacy and numeracy that had an impact on their business. During and after the COVID-19 era, the economy must lessen the number of individuals with poorly developed literacy and numeracy skills who are at greater risk of disengaging from learning and fully participating in the workforce.

Workplaces need support under a refreshed national LLND strategy. It is hoped the Australian Government's recently announced Foundation Skills for Your Future program provides the level of support required for companies to thrive in the post-COVID-19 phase. The component involving Employer Workplace Training projects promises to deliver the LLND training required to up-skill and re-skill employees. Previous Ai Group tailored employer pilot projects to upskill employees have proved successful in building LLND skills.

Work-based learning and work integrated learning, as part of education and training, are fundamental to producing work-ready candidates, and are explored at length in other parts of this document. The exposure to the work environment and experience of the workplace is invaluable in supporting those transitioning from education to employment.

²⁸ Osborne, K. & Serich, C. (2020), *Exploring the recognition of prior learning in Australian VET*, NCVER, Adelaide

²⁹ Australian Industry Group (2018), *Skilling: A National Imperative*, Workforce Development Needs Survey Report

14. Information Request: Evidence about mentoring and pastoral supports

Because the vocational education and training sector includes programs to keep students engaged in education and learning, the sector contains young people who can be at-risk of disengaging from education and therefore are more vulnerably placed in society, particularly in the jobs market.

Any mentoring and pastoral care services that are provided to students should not be done on a discriminatory basis, that is, not targeting of 'priority' groups of students based on gender, ethnicity, indigeneity, mental health or physical ability, or socioeconomic status, even though it is recognised that some cohorts require greater levels of support. Any student excluded from support services is immediately disadvantaged, especially when mentoring is becoming more commonplace in professional networks and business environments, and the growing prevalence of chronic and acute mental health needs in the community.

Young people, who are still developing in emotional intelligence (i.e.: resilience, adaptability, empathy – essential life skills) need to establish themselves in environments that encourage positive behaviours and attitudes that are guided and reinforced by role models who are exemplars of best practice in essentially human qualities like communication, leadership, and teamwork. These human qualities that cannot be easily acquired without being seen in reality nor programmed into a person.

Mentoring and pastoral services should be available upon request or as part of an intervention where a student is dealing with some type of trauma, episode or personal adversity, and where referrals to qualified primary and ancillary care services can be made in a safe, supportive and discrete way.

The Productivity Commission Report discusses the importance of mentoring services in improving completion rates, both for apprentices and for other students, and refers to a number of studies including the Expert Panel Review in 2011. Since that review, there have been two significant mentoring projects relating to apprenticeships that were funded by the Commonwealth Government – the Australian Apprenticeships Mentoring Program which ran from 2012 to 2014, and the Industry Specialist Mentoring for Australian Apprentices (ISMAA) program, which ran from 2018 to 2019. Both of these programs had some success in improving apprenticeship completion rates, although Ai Group is not aware of any publicly available evaluation reports.

Ai Group supports the provision of mentoring services to apprentices and trainees and more broadly to other VET students. Our chief concern is that mentoring services in the past have been funded on an ad hoc basis and appear and disappear according to government budget cycles or policy changes. As a provider of mentoring services funded through the two previously mentioned programs, Ai Group is keenly aware of the difficulties in finding good mentors to employ and in building up a caseload of mentees. When the services are terminated according to contract expiry, the apprentices are left to fend for themselves.

Ai Group is also aware that the Apprenticeship Support Network has some mentoring responsibilities included in their funding contracts, however there is little evidence of any comprehensive mentoring by the network, primarily because of funding constraints.

Ai Group believes that there is a need for the Government to fund a mentoring service on a long term basis. We also believe that funding for apprentices and trainees should be directed to group training organisations. GTOs have proven expertise in mentoring apprentices and trainees, and have specialised in this for the past thirty years. As mentioned earlier, GTOs have better completion rates for those placed in small businesses than for those employed directly by small businesses. The Government could fund GTOs to provide mentoring services to those apprentices and trainees that are employed directly by small businesses.

15. Information Request: The challenges of online delivery

Most training providers have needed to restructure their training delivery methods in response to the pandemic, with much of that delivery now being provided online. No doubt the quality of hastily-arranged online learning resources will be variable. Some will be interesting and engaging and using multiple media, while others may be little more than PDFs and static PowerPoint slides.

One example of online delivery Ai Group has had recent exposure to is Skills Lab's delivery of the Diploma of Applied Technologies. This is a qualification that delves into digital technologies that form part of Industry 4.0: technologies such as cloud computing, big data analytics and remotely controlled cyber physical systems. As such, the qualification is uniquely suited to online delivery, and Skills Lab's model has trainers spread all over Australia and students working on training rigs located thousands of kilometres away. This is an example of online delivery working well for the content and the student cohort.

However, not all qualifications, and not all students are suited to online delivery. A recent NCVET report found that online VET courses had higher subject withdrawal rates and lower course completion rates than face to face courses, and student satisfaction measures were lower for graduates of courses delivered online. But the report also found that good practice in online delivery, including well-structured, up-to-date and engaging resources, highly skilled and knowledgeable teachers and trainers and a positive and supportive attitude and ethos in the training provider can positively affect those outcomes.³⁰

Ai Group supports the concept of encouraging more online delivery of training, but with certain conditions. Firstly, it is important that subsidies for online training are not configured in such a way that providers find it is the only financially viable way to deliver training. This could happen if those providers that do deliver online training can do it so cheaply that other providers can't offer students a competitive price. If this occurs, the losers will be those students who are not suited to online training, for whatever reason.

Secondly, there would need to be support in place for those students who find it difficult to access online training. The move by schools to deliver curriculum to students online during the pandemic has highlighted that not everybody has good internet access, or access to a home computer, or a quiet place at home to study. Other means to access online training, whether it be via local libraries, or local TAFE or community centres, would need to be in place for those students, regardless of which provider is delivering the training.

³⁰ Griffin, T & Mihelic, M 2019, Online delivery of VET qualifications: current use and outcomes, NCVET, Adelaide

Thirdly, there are benefits that arise from face to face delivery besides the learning that occurs. Many students, whether they be apprentices, or Diploma students, or university students, make lifelong friendships and develop valuable industry contacts through their attendance at training centres. Thoughtful delivery of online training can achieve some form of group camaraderie, but it often becomes a transactional exercise, especially when students are logging on at different times to complete lessons. For an older worker who is wanting to gain a second or third credential to be able to progress their career, this may be perfectly suitable; but for a younger person working towards their first qualification and hoping to start a career, online training may be quite isolating. Ai Group recommends that online delivery of entry-level training be discouraged.

Finally, Ai Group has concerns about implicit suggestions that moving towards online training delivery has the potential to reduce costs for governments and students. Good online delivery and assessment costs money. The concerns noted above regarding access and group camaraderie require additional investment to achieve properly in online delivery. Best practice in online delivery includes blending a variety of media in learning resources, includes highly skilled teachers and trainers and includes individual support for learners. Recommending the encouragement of greater use of online delivery as a strategy to reduce costs is not supported by Ai Group.

Accreditation, or assessment, should be the same, regardless of how training is delivered. Units of competency specify the assessment requirements to be followed. Often these will require that assessment should occur in workplace situations or in a simulated environment that reflects realistic operational workplace conditions. These assessment requirements do not change for online delivery.

The Victorian Government is piloting independent assessment of competencies for a select group of apprenticeships. This experiment grew out of concerns from employers that training providers were not rigorous in their assessments, relying only on simulated classroom environments and assessing to standards below industry expectations. Ai Group recommends examining the outcomes of the Victorian pilots before making further recommendations about separating training and assessment functions.

16. Information Request: Impacts of COVID-19

Ai Group has raised its concerns the global pandemic has had on skills supply and demand, and hiring in the first months of the outbreak.³¹ Lockdowns have had a significant economic impact on business and industry,³² while certain industry sectors of the economy have been affected by the slowing economy.^{33,34,35} Data collected by Ai Group prior to the arrival of COVID-19 showed

³¹ Ai Group, *National skills data shows encouraging lift in hiring*, Media Release, 30 Jun 2020 [available <https://www.aigroup.com.au/policy-and-research/mediacentre/releases/skills-data-30June/>]

³² Ai Group, *Economic data for locked down Melbourne*, Media Release, 09 Jul 2020 [available <https://www.aigroup.com.au/policy-and-research/mediacentre/releases/economic-data-lockdown-9July/>]

³³ Ai Group, *Australian PBI: Business conditions still negative in June*, Media Release, 07 Jul 2020 [available <https://www.aigroup.com.au/policy-and-research/mediacentre/releases/PBI-June-2020/>]

³⁴ Ai Group, *Australian PSI®: Services sectors struggle in June*, Media Release, 07 Jul 2020 [available <https://www.aigroup.com.au/policy-and-research/mediacentre/releases/PSI-June-2020/>]

³⁵ Ai Group, *Australian PCI®: Construction industry contracts at slower pace in June*, 03 Jul 2020 [available <https://www.aigroup.com.au/policy-and-research/mediacentre/releases/PCI-June-2020/>]

significant workforce skills shortages, mismatches and gaps already in the economy.^{36,37} It is in this economic environment that employers face a difficult road to recovery.

In this context, Ai Group is promoting a suite of policy solutions in which the VET sector can play a central role in enhancing the skills and employability of those most impacted by the global pandemic. These include:

- A universal wage support for apprentices and trainees
- Pre-employment programs with built-in work placements, including VET in schools
- Investment in skills assessment and adaptive training for displaced workers
- Applied learning principles in all education and training design
- Higher level skills programs to meet digital economy needs
- Multi-partner industry-training initiatives

Broad wage support for a rapid build in apprentice and trainee numbers

The COVID–19 crisis has decimated apprentice numbers. Since 1 March 2020, 25,038 apprentices and trainees have been known to be stood down, suspended or cancelled.³⁸ Australian Government COVID-19 economic response measures, like JobKeeper and the Supporting Apprentice and Trainee wage subsidy, have supported thousands of apprentices and trainees; however, when these incentives are removed, it is expected that thousands of apprentices and trainees will fall victim to the inevitable economic decisions employers will be compelled to make.

In June, Ai Group called on the Australian Government to implement universal wage support for apprentices and trainees in stage one and two of their contract of training regardless of the size of the company, the number of employees, age, occupational groupings and geography.³⁹ This wage support would address the current uneven treatment of apprentices and trainees through its universal application.

Support for apprenticeship renewal must also utilise Group Training Organisations, which can be multipliers in the recovery. They have wrap-around support mechanisms and experience good completion rates compared with apprentices directly employed by businesses.⁴⁰

The newly announced JobTrainer Skills Package, which now makes the wage subsidy available to medium businesses and extends the program by six months, will go part way to supporting the apprenticeship cohort and employers. The extended program does not address new

³⁶ Ai Group (2018), *Skilling: A National Imperative*, Workforce Development Needs Survey Report [available https://cdn.aigroup.com.au/Reports/2018/Survey_Report_WFDNeeds_Skilling_Sept2018.pdf]

³⁷ Text of letter from Ai Group Chief Executive, Innes Willox, to the Prime Minister and State and Territory leaders ahead of the 9 August Council of Australian Governments Meeting in Cairns, 8 August 2019 [available <https://www.aigroup.com.au/policy-and-research/mediacentre/releases/COAG-meeting-letter-8August/>]

³⁸ National Australian Apprenticeship Association, *Covid 19 impact on Apprenticeships*, Market update – July 2020 [available <http://www.naaa.com.au/wp-content/uploads/2020/07/Covid-19-impact-on-Apprenticeships.pdf>]

The NAAA notes that, ‘ This could be an under estimate because it does not capture those that are on JobKeeper and not actually working, or those employed by Group Training Organisations (GTOs) that may be “out of trade” but still being paid, taking annual leave or in the process of being “handed back” ’.

³⁹ Ai Group, *Call for apprentice wage subsidy to address collapsing apprenticeship system*, Media Release, 01 Jun 2020 [available <https://www.aigroup.com.au/policy-and-research/mediacentre/releases/apprentice-wage-subsidy-1June/>]

⁴⁰ O’Dwyer, L & Korbel, P (2019), *Completion rates for group training organisations and direct employers: how do they compare?*, NCVET, Adelaide.

commencements from 1 July meaning employers of 2020 school leavers will not be covered by the support.

Specific youth support programs

A national program that provides extensive access to new and redesigned pre-employment programs, including pre-apprenticeships, in areas of skills need must be introduced. These programs will support young people, as well as other displaced cohorts, by widening their entry-level training options. Pre-employment program re-design should consider existing offerings across jurisdictions and be cognisant of different entry level points across different industries. They should build in relevant work placements and specific regional needs. Post-COVID-19, it is even more important that support programs help young people navigate, prepare and find training and work.

Attention must also be given to all VET programs delivered in schools. The Australian economy cannot allow the declining participation in VET programs delivered in schools in recent years.⁴¹ State government reviews⁴² have identified barriers to pursuing a pathway through vocational education and training. The profile of VET programs delivered in schools and reforms in this area of learning must be intensified through National Career Institute initiatives and reviewing the outcomes of the Review of Senior Secondary Pathways into Work, Further Education and Training.

Investment in skills assessment and adaptive training for displaced workers

While the new JobTrainer skills package aims to provide up to 340,700 additional training places, it is important that it is accompanied by a program that assesses the skills of existing workers displaced during COVID-19, and then trains them to transition into roles required by employers. Assessment must assist them to demonstrate how they can adapt by applying the skills they have developed over time. These assessment and training activities must be widely promoted, and the functions could be housed within existing job agencies/training providers.

The acquisition of new skills by older existing and displaced workers, and the refreshing of existing skills, must be met through short form training. The current environment presents an opportunity to showcase the valuable skills of mature aged workers and their willingness to move into new roles and industry sectors.

New programs for emerging skill needs

As Australia moves out of the current environment, focussed training programs that are aligned with specific job and growth opportunities are needed. The demand from industry for readily available, short form training, present before the COVID-19 crisis, reflects various re-skilling and up-skilling needs as a result of increasing digital transformation.

VET sector qualification design allows components to be easily identified. Examples seen during the crisis include state governments providing free online access by job seekers to single units and

⁴¹ According to NCVER data

⁴² For example, New South Wales Government's Curriculum Review South Australian Review of VET for School Students

skill sets. Additional free or low cost training to be offered through the JobTrainer skills package must focus on emerging industry needs, both immediate and in the longer term.

The crisis has identified the need for short courses at a number of different AQF levels; it has highlighted the need for access to information on offerings for the public; for coherence in offerings; and for information on where credentials sit/how they stack in relation to specific qualifications. The announcement of a new micro-credentials marketplace and the fast tracking of micro-credentials in VET by the Commonwealth, along with states and territories, promises to assist these needs.

Applied learning principles in all education and training design

The rapidly changing work environments and skills needs thrown up by COVID-19 are best served by learning that is connected to and closely reflects workplace skill needs, such as work-based and work integrated learning models. This design principle must be widely explored so that workplace learning is recognised as a key delivery component in all tertiary education.

This includes employment-based learning or ‘learn and earn’ models typified by apprenticeships, traineeships and cadetships, but also internships/placements, where formal training is augmented by training on-the-job, over time, from other skilled workers. To illustrate this in the higher education space, during the COVID-19 crisis, universities have worked hard to establish innovative work integrated learning arrangements for students, including virtual internships and placements, projects and consultancies undertaken by students.

Higher level skills programs to meet digital economy needs

It is now even more vital for the recovery that higher apprenticeships, traineeships and cadetships are introduced across industry areas to meet the skills needs driven by digital transformation and fast-tracked by the crisis. Labour demand is shifting towards higher level, more cognitive skills for which many workers are not adequately trained. Businesses are now more likely to develop new digital strategies which have implications for their workforce development.

Before the crisis, Ai Group’s research had shown that employers were prioritising managers for digital technology training. The need for management development is likely to have been heightened by the acceleration into digital systems by many companies.

A broader range of new priority occupations should be identified for higher skill programs in order to increase participation. STEM skills can be developed through Diploma-level traineeships in technical occupations and management skills developed through Diplomas for para-professional occupations. An example is the Diploma of Applied Technologies, which underpins the Industry 4.0 Higher Apprenticeship Project piloted by Ai Group and focuses on high level digital skills for technicians.

Higher apprenticeships have gained interest from both industry and potential apprentices. Ai Group undertook a pilot focused on high-level technical skills in engineering and digital technology, in partnership with Siemens and Swinburne University. This program trained higher apprentices in a Diploma and Associate Degree in Digital Technologies and the model is now being rolled out across Australia.

There are challenges in making higher apprenticeships more broadly available. State Training Authorities currently recognise only VET-level qualifications as apprenticeships or traineeships and

industrial awards generally do not make provision for them. This underscores the importance of national tertiary policy and funding coordination across the jurisdictions in overcoming challenges to roll out higher apprenticeships.

Multi-partner industry-training initiatives

Responses to COVID-19 have led to a number of beneficial partnerships across industry, governments and the community. Moving forward, improvement actions must be underpinned by closer partnerships between industry, VET and higher education.

A system of regional and local hubs that develop strategies to meet local skill needs and tackle unemployment will assist large and small companies and students to create innovative solutions and boost local innovation systems. They can develop industry-student-provider engagement models that foster and increase relationships and result in industry-tuned workforce entrants.

A range of initiatives already exist in Australia and globally, spanning those organic and local in nature to those that are part of co-ordinated country-wide models. Activities have been initiated by individual companies, industry associations and agencies, levels of government and education and training providers aiming to co-create skills ecosystems. There is a range of funding and support that accompanies these initiatives.⁴³ As an example, the Centres of Vocational Excellence initiative in Europe was piloted in 2019.⁴⁴ It uses a broadly central framework that encourages operations within a given local context, bringing together centres that share a common interest in specific industry sectors/trades.

⁴³ For example, High Tech Skills for Europe. *Scaling up best practices and re-focusing funding programmes and incentives*, European Commission, Interim Report, 2018.

⁴⁴ Summary of the main features of the initiative on platforms of Centre of Vocational Excellence, European Commission, 2019.