



SUBMISSION

**Australian Government
Productivity Commission**

**Issues Paper:
Skills and Workforce
Development Agreement**

19 December 2019

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2. Background

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

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

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

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

- Australia Automotive Dealers Association
- Automotive Dismantlers
- Auto Repair and Engineering
- Body Repair Specialists
- Commercial Vehicle Industry Association
- Farm and Industrial Machinery Dealers Association
- Licensed Vehicle Dealers
- Motorcycle Industry Association
- Towing Services
- Service Stations
- Tyre Dealers
- Vehicle Rental

3. Introduction

The MTA notes that the Productivity Commission has been requested to undertake a review of the National Agreement for Skills and Workforce Development (NASWD).

The NASWD is a high-level agreement that identifies the *“long term objectives of the Commonwealth and State and Territory Governments in the areas of skills and workforce development, and recognises the interest of all*

governments in ensuring the skills of the Australian people are developed and used in the economy”.

The NASWD sets out goals for skills attainment by Australians through the vocational education and training (VET) system and commitments to reforms to ensure that the system is accessible, produces high quality services and operates efficiently.

4. Submission Response

The MTA, in its capacity as a Training and Employment Centre, provides its considered response to the Commission’s Information requests contained in the Issues Paper: *Skills and Workforce Development Agreement*, where it has relevant input to provide.

Additionally, the MTA notes that the Productivity Commission welcomes evidence and comment on any considerations raised by the terms of reference. To that end, at the end of this Submission, the MTA provides member feedback on the issues and questions raised in the Issues Paper.

Training and Employment Centre Feedback

The Commissioner seeks views on:

- whether the objectives and policy directions for the VET sector set out in the NASWD are suitable for the future and why
 - if the currently-stated objectives and policy directions for the VET sector are suitable for the future, which should be given priority
 - if currently-stated objectives and policy directions are not suitable for the future, how they should be changed and evidence in support of proposed changes.
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The MTA notes that the objectives of the NASWD is a VET system that delivers a productive and highly skilled workforce and which enable all working age Australians to develop the skill and qualifications needed to participate effectively in the labour market and contribute to Australia’s economic future; and supports the achievement of increased rates of workforce participation.

The MTA notes the reform directions, which include:

- a. improve training accessibility, affordability and depth of skills, including through the introduction of a national training entitlement and increased availability of income contingent loans (ICLs);

- b. improve training participation and qualification completions, including at higher levels and by those who may be experiencing disengagement or disadvantage;
- c. encourage responsiveness in training arrangements by facilitating the operation of a more open and competitive training market;
- d. enable public providers to operate effectively in an environment of greater competition, recognising their important function in servicing the training needs of industry, regions and local communities, and their role that spans high level training and workforce development for industries and improved skill and job outcomes for disadvantaged learners and communities;
- e. strengthen the capacity of public and private providers and businesses to deliver training and support people in training;
- f. strengthen, streamline and harmonise the Australian Apprenticeships system;
- g. assure the quality of training delivery and outcomes, with an emphasis on measures that give industry more confidence in the standards of training delivery and assessment;
- h. provide greater transparency through better information to ensure consumers (students and employers) can make informed choices, governments can exercise accountability and policy-makers and regulators can understand and respond to emerging issues;
- i. increase industry's engagement with the VET sector to ensure training outcomes are high quality and relevant to the needs of employers to improve skills utilisation and workforce development; and
- j. facilitate more interconnected tertiary and training sectors that cross boundaries between school, adult, vocational and higher education, with better links between employment services and training provision in order to improve labour market outcomes.

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

Any future VET policy models will need to address the inconsistency in VET management and funding between states and territories; states and territories with their own VET funding and policy agendas; general inconsistency and confusion of the VET model; and funding across Australia for employers and students.

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- Does the current division of joint and jurisdiction-specific policy approaches (and approach to managing the associated tensions) produce the best outcomes?
 - Is the current market structure efficient, and is it well-placed to meet Australia's current and future skills and training needs?
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Unfortunately, it is the MTA's experience that the tensions and dysfunction of the management between joint and jurisdiction-specific policies produces underperformance in VET outcomes.

This is due to the inconsistencies of either funding arrangements or importantly, the differences and inconsistencies and allowance of variation in training delivery and assessing models.

Put simply, the differences in funding models throughout the states and territories and between public and private providers, plus the allowance of multiple training delivery and assessing models, generates a wide variation in the quality of training.

As noted above, in order to meet Australia's current and future skills and training needs, these inconsistencies will need to be addressed in order to produce the best outcomes.

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- How effective are skills needs assessments as a basis for estimating demand for VET services?
 - How do governments' skills needs matching efforts alter student demand for VET?
 - Are priority skills lists the best way of signalling skills shortages?
 - How could nationally-consistent skills demand forecasting be implemented to better match training to the economy's needs?
 - Noting that the National Careers Institute will cater for students' needs, do other market players have access to information to efficiently inform their choices? If not, how could this be improved?
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The MTA has previously expressed the view that the Nationals Skills Needs List (NSNL) is not representative of skill shortages in occupations for which an apprenticeship is an entry pathway to the occupations.

The current methodology underpinning the NSNL does not properly take account of the time taken to deliver skilled workers through the apprenticeship system. Accordingly, it is not the best way of signalling skills shortages; the

current methodology is backward looking, resulting in the possibility that funding for skill incentives is poorly targeted.

The MTA submits that consideration should also be given to the geographical requirements of skills demand. Apprentice employment costs and training delivery costs are generally higher in regional areas, and accordingly incentives should reflect geographical challenges.

Skills demand forecasting should be undertaken on annual basis, based on economic data and intelligence gathered on industry environmental changes. The MTA believes that a key limitation in a forward looking methodology will be gaining credible and authentic environmental data indicating skills needs.

This limitation could be managed via the use of broad based economic modelling designed with critical triggers measured against multiple consulting agencies. A review council could also be put in place, with delegates made up of industry employer groups and government making informed decisions with data accrued from leading accounting firms, industry economic environmental studies and data from the centre of economic studies to determine the spread of incentive spending for the NSNL.

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- To what extent do (and should) users (students and employers) determine VET offerings?
 - How are users' preferences influenced by government incentives and programs (including information programs)?
 - To the extent not covered elsewhere in this paper, the Commission seeks additional evidence on how well the VET market is operating, for example in terms of:
 - services being of the quantity, type, quality and location that users and the community most value
 - its efficiency in meeting users' needs, including as they change
 - prices usually reflecting efficient costs, or this amount adjusted to achieve other policy objectives.
 - How can governments best ensure the market develops to support policy goals?
 - How do (and should) governments coordinate and manage the interactions between different types of interventions and initiatives to support market development?
 - Is there a preferred model for market stewardship? Why?
 - If agreed by governments, how would implementation of the recommendations of recent reviews (for example, the Joyce and Noonan Reviews) improve:
 - the operation of the VET market?
 - choices and pathways between schools, VET and higher education?

- Are there any issues not identified by previous reviews that materially affect the operation of the VET market?
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The MTA considers that the only thing uniform in the training market is the training package and the Australian Qualifications Framework. Even then, in the MTA's experience, there are problems with development timeframes for training packages and then unrealistic demands for skills assessment requirements mapped to the knowledge learnings.

In addition to the above concerns, the whole structure and funding model brings dangers with it, especially when new incentives or changes to incentives are made. For example, the South Australian government initiative, *Skills for All*, offered students fee free government subsidised training, which in reality delivered no genuine increase in employment outcomes.

The MTA has observed that, in the competitive market place, employers take advantage of employment incentives but don't necessarily employ more people.

Training providers are continuously challenged by the Australian Skills Quality Authority (ASQA) regulatory requirements and private Registered Training Organisations (RTOs) get paid half that of public providers, but deliver the same or if not better outcomes. Historically, RTOs that have struggled to deliver services, due to the lower subsidy payments, have their allocation of subsidy payments significantly reduced to the point they stop being providers. Consequently, the government provider monopolises the market, but ultimately can't provide specialised services or deliver training in regional areas to suit market needs.

It is submitted that stalwart private training providers are not appropriately supported by government. Furthermore, that there is no protection from large interstate providers who cross borders to deliver training, because there is poorly administered government money available.

The Commission also seeks input on the following questions.

- What is the rationale underpinning each jurisdiction's funding and pricing approach?
- How well have governments' objectives in relation to their funding and pricing approaches been met?
- What are the pros and cons of the specific pricing and funding approaches used by the State and Territory governments?
- How well do current funding and pricing arrangements support governments' shared goals for the VET sector?

- What aspects of funding and pricing should be undertaken on a nationally-consistent basis, and how should this be achieved?
 - What aspects of funding and pricing administration or supervision can be improved (within VET and across VET and higher education)?
 - What alternative models for funding and pricing government services could the VET system draw from?
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It is submitted that current funding arrangements, particularly subsidised training payments, skew in favour of government providers over private providers. For example, private providers have to apply for increases and cannot get capital investment funding or bailouts, recently to the tune of \$106 million in South Australia, unlike government providers.

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

Previously, government training providers have received preference to deliver subsidised training in certain qualifications over private providers. The effect of this preferential treatment was the closure of private RTOs or the cessation of delivering unsubsidised qualifications. Consequently, in some cases, government RTOs had been unable to deliver the training due to geographical or lack of resources reasons where the private provider had been active in that space. The MTA strongly believes that this fails the users of the system and meeting training and employment outcomes.

Funding is complicated and difficult to understand and comprehend across all jurisdictions, especially South Australia. It is recommended that government set funding prices per unit of competency per qualification across Australia for government and non-government providers with additional loadings for regional and remote areas.

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

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- If governments agree to a new national funding agreement for co-funding VET in schools, what should be part of this new arrangement?
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The MTA considers that if governments move towards co-funding VET in schools, there should be greater incentive for completion payments encouraging students to undertake and complete the course.

This would help to address the concerning decline in apprentice enrolments and the general disinterest of current school leavers in pursuing a trade career.

Additionally, there should be a transition payment for students commencing an apprenticeship paid to the school, student and RTO.

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- Can the apprenticeships system and data collection by governments be better coordinated, or streamlined? If so, how?
 - What other areas of the VET system are unnecessarily complex or inefficient? Are there any additional opportunities for governments to better streamline or coordinate their initiatives to improve the VET system?
 - To what extent will fixing these issues improve the operation of the VET system?
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The collection of data from the apprenticeship system is complicated and there are no real guidelines for data entry. Uncertainty about how to capture apprentice data creates confusion, resulting in arguably inaccurate data collection, which in-turn provides inaccurate and inconclusive data for comparison purposes and strategic decision making reasons.

There are too many data collection points that require too much interpretation. Data collection by governments needs to be better coordinated and designed to be uniform or intuitive within the system and for the operators. Data reports also need to be more current, rather than aged historical evidence.

With regard to other areas of the VET system, the MTA considers that the paperwork requirements are unnecessarily complex. The amount of paperwork should be reduced and standardised to online forms.

Consistent and accurate data collection with reduced paperwork will generate greater efficiencies, providing better, and more accurate, status reports for decision makers within the VET system.

MTA Member Feedback

MTA members reflect the views of the MTA itself with regard to the VET system needing to keep focus on and keep pace with the skills shortage currently being experienced in the automotive industry.

MTA members has expressed a general concern within industry that motor trades have been ignored or undervalued by governments and that additional government funding should be directed to addressing the skills shortage. A flow on effect of the skills shortage reported by members is that average wages and hourly rates for some trades is driving them to a level which is unsustainable for small businesses.

Industry is concerned that automotive trades, with the exception of vehicle painter, have not been included for Additional Identified Skills Shortage (AISS) payments. All automotive trades on the NSNL (Motor Mechanic (general), Diesel Motor Mechanic, Panel Beater, Automotive Electrician, Motorcycle Mechanic, Vehicle Body Builder, and Vehicle Trimmer) are suffering a shortage of skilled labour and would benefit from an incentive payment to hire an apprentice and commence an apprenticeship.

Broadly speaking, members identified the need to review current financial incentives for businesses to take on apprentices. As one member commented, it was suggested that current incentives are not that strong, and while “better than nothing”, they are not fundamentally changing employment behaviour.

However, in addition to addressing the automotive trades that are currently experiencing a skills shortage, it is also important that the VET system plays a role in the development of a skills base that is relevant to the forecast uptake of autonomous and electrically powered vehicles technologies, and the reskilling of the existing automotive workforce to service and repair vehicles that will be required.

MTA members have identified that the VET system needs to strike a balance between core/essential skills and knowledge delivered in a classroom environment, and which areas of specific and technical training may be better taught and learned ‘on the job’ in the work environment.

There are also significant mental health issues facing some apprentices that need to be addressed by the VET system. In this regard, it is important that programs such as the Industry Specialist Mentoring for Australian Apprentices (ISMAA) program is maintained, beyond its December 2019 completion date.

Members also identified that government needs to better focus on preparing students for the VET system. For example, by providing and promoting Certificate II pathways for appropriate students in Year 10, rather than waiting until students are in Year 12.

In addition to making students aware of the opportunities the VET system and apprenticeships can offer, industry believes that parents and teachers should also be made more aware of what the VET system has to offer. The view is held that the school system still unrealistically gears too many students towards university when some may be more suited to VET. As such, it has been suggested by MTA members that Government should direct its attention towards increasing awareness of the VET system within the broader education community and its participants.

5. Next Steps

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

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

6. Submission Contact

For further information relating to this submission please contact:

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