

**Queensland Government  
Submission  
to the Productivity Commission  
Interim Report on the review of the  
National Agreement for Skills and  
Workforce Development**



# **Queensland Government Submission to the Productivity Commission Interim Report on the review of the National Agreement for Skills and Workforce Development**

## **Minister for Employment and Small Business and Minister for Training and Skills Development**

### **The Honourable Shannon Fentiman**

#### Introduction

The Queensland Government is committed to reform of the vocational education and training (VET) system in Australia to create a more innovative, agile and responsive skills sector where Queenslanders have access to the skills, knowledge and expertise they need, and the skills employers want, now and into the future. This is more important now than ever before, as Queensland and Australia look to recover from the significant impacts of the COVID-19 pandemic.

The Queensland Government continues to focus on ensuring access to high-quality and affordable VET throughout Queensland. Queensland has a vibrant VET sector and one of the highest VET participation rates in Australia at 25.6 per cent. Just over 87 per cent of Queensland VET students report satisfaction with their training overall, and employer satisfaction with training in Queensland remains high at 78.2 per cent. Half the nation's school-based apprentices and trainees are in Queensland, and more than 50 per cent of all secondary school students are undertaking VET.

As co-owners of the national training system, Queensland's settings deliver genuine results by offering affordable and attractive options for prospective and current students, including apprentices and trainees, as well as employers and businesses. Skills and training have also formed a key element of Queensland's Economic Recovery Strategy, *Unite and Recover for Queensland Jobs*, which is helping to get Queenslanders back to work by building vital infrastructure, strengthening Queensland's industries, and enabling future growth.

The Queensland Government welcomes the opportunity to respond to the Productivity Commission's (PC) Interim Report on the review of the National Agreement for Skills and Workforce Development (NASWD). While the NASWD is an important piece of the architecture of the VET system in Australia, the Queensland Government recognises the PC's interim finding that the NASWD is overdue for replacement, and the recommendation that Australian, state and territory governments negotiate a new, principles-based intergovernmental agreement.

The Queensland Government is committed to working with the Australian Government and other states and territories to reform the VET system. In July 2020, the Queensland Government signed the Heads of Agreement for Skills Reform (Heads of Agreement) charting the path for long-term reforms of the VET system, including negotiating a new National Skills Agreement as a replacement for the NASWD.

The Heads of Agreement provides important guidance for a future National Skills Agreement without binding jurisdictions to a specific set of reforms. As jurisdictions work through these reforms it is important to maintain the inherent strengths of the current system, such as its flexibility for jurisdictions to respond to emergent local skills needs, the importance of states and territories maintaining sovereignty over budget decisions, and the crucial role played by our public providers, including in delivering high quality training to regional, remote and vulnerable cohorts.

This submission outlines a range of observations on the Interim Report and makes suggestions for further considerations as the PC prepares its final report. Critically, the various options and recommendations presented within the Interim Report will each have a different impact on the system and on those involved in VET, including training providers, students, industry and governments. For example, efficient pricing and national subsidy setting may provide perceived consistency for students and employers, but could reduce the capacity of states and territories to work with industry and other stakeholders to invest funding where it is needed most, and for whom it is needed most. Such impacts will need to be thoroughly considered before decisions are made on which reforms to pursue to ensure the best skilling and training outcomes possible.

#### Current reform agenda and the role of VET

In undertaking a reset to the system, it is vital that funding discussions occur alongside the broader reform agenda that has accelerated in recent years with the commencement of initiatives such as the streamlining training products project, the review of the Australian Qualifications Framework, and the Australian Government's response to the Joyce Review. In August 2019, COAG agreed to a shared Vision for VET to position the sector as responsive, dynamic and trusted. The Vision includes the need for quality, flexibility, responsiveness and pathways, and is also about individuals, none of which are prominent in the Interim Report. VET is not just about productivity in the labour market – it also encompasses the broader goals of equity, social benefit and empowered individuals.

To deliver on this vision, COAG tasked Skills Ministers, in consultation with Education Ministers, with developing a VET Reform Roadmap to create a VET system that is more adaptable and responsive and dedicated to quality, relevance and accessibility. Significant progress has been made on the VET Reform Roadmap and in achieving the COAG Vision for VET. However, the Queensland Government does not feel the Interim Report adequately captures the intent of the COAG Vision for VET, which takes a holistic view of the national training system and acknowledges the multiple purposes of VET.

The Queensland Government strongly believes that the way we deliver VET and how we fund the Australian skills system are interlinked – changes to the framework or funding underpinning the system cannot be done in isolation of one another and the PC's final report should seek to articulate the strong linkages between the two. Any suggested changes to pricing and subsidy arrangements, vouchers and competition between providers must be considered within the context of broader reforms to prevent market failure, and in order to create a more agile, dynamic and responsive system that best meets the needs of students, industry and the economy more broadly.

The most significant example of a failure to manage funding reforms with broader reforms was the expansion of the VET FEE-HELP scheme. Expansion of the scheme was implemented before other key reforms, such as the establishment of the Australian Skills Quality Authority (ASQA), were functioning at full capacity. This caused great reputational damage to the VET sector as the newly formed ASQA did not have the ability to provide adequate regulatory oversight and the scheme was rorted. Similar reputational damage to the system needs to be avoided during this vital reform process.

Any reforms should also have the learner at the centre. Reforms such as the introduction of vouchers, national subsidies and broader access to loans have the potential to put the learner at risk if there is insufficient information available to enable them to understand the ramifications of their choices. Learners need to be able to make informed choices and without better information, they risk undertaking training in areas that are not of most benefit to them or the economy more broadly.

While the Interim Report finds that there are significant private and public economic returns to VET, as well as indirect benefits, the Queensland Government is concerned the Interim Report primarily considers VET through a productivity lens and does not take into full consideration the broader goals and benefits of the VET system to our society. Such a narrow approach has the potential to disadvantage many Australians, particularly our most vulnerable. Many of the principles proposed by the PC for a new agreement are based on financial related matters, with only two of the eight principles loosely related to outcomes, and with no mention of quality. Any new funding agreement should reflect the broader role of VET, current reform processes underway and build on the agreed vision for Australia's VET system.

### Funding certainty

It is important that any new national agreement provides clear direction and stability for the national VET system. This includes having arrangements in place that provide funding certainty and fiscal stability to the states, shares financial risk and allows Queensland to appropriately manage its funding for and investment in training and skills development.

Queensland receives approximately \$300 million in Australian Government funding each year under existing arrangements associated with the NASWD. VET in Queensland has many strengths, including effective industry engagement, strong links between schools and VET, and nation-leading completion rates for apprentices and trainees.

Reforms to the VET system should not be used to reduce the level of Australian Government funding to Queensland. Any reforms to funding should consider Queensland's strengths and should at least maintain Australian Government funding at current levels, and ensure that risk is shared between both levels of government. Should increased investment in the VET sector be a priority to support improved outcomes, it is important that the responsibility for increasing funding is shared and does not fall entirely upon Queensland.

The Interim Report states the need for strong performance measures and accountability in the system. Performance measures should be valid, reliable, easily collected and timely, and strive for training excellence and successful outcomes. Performance measures should also

reflect the three priority areas agreed by the COAG Skills Council in November 2019 – relevance, quality and accessibility.

Investment in training in Queensland must remain relevant to industry. Funding agreements and any associated performance measures should respect the roles of the states and territories, and any funding reforms should not diminish Queensland’s ability to adapt the skills system to respond to local needs, make strategic investments to grow the economy and build stronger regions, and support lifelong learning.

#### Flexibility for the states and territories to support jobs and employment

Queensland has diverse regions where investment and employment opportunities vary from place to place and over time. The state economy is a combination of many regional economies. This demographic and economic diversity presents challenges in meeting the aspirations of regional communities, employers and individual learners.

In addition, there is also substantial diversity in labour markets and economic conditions in each Australian jurisdiction and any future funding agreement needs to recognise this diversity. Queensland has an ambitious economic development plan and is best placed to assess the skills demand for Queensland and make decisions regarding how service delivery can best meet the needs of Queensland’s unique, geographically diverse economy.

Any new funding agreement should not come at the expense of this level of state sovereignty, nor should it expose Queensland to onerous conditions and input controls that risk the ability to deliver responsive training. National funding agreements should support a robust national framework that respects the role of jurisdictions in managing their VET sector and provide ongoing flexibility in allocating funding to where it is needed most to respond to industry and economic need. Removing this flexibility will create problems at any time, but particularly now, at a time when we need it most to support local communities suffering varied impacts from COVID-19, and position the VET system to support economic recovery.

Regarding subsidy setting and efficient pricing, the Queensland Government supports a state-based system which has regard to the costs of delivery and regional needs across a large geographical area. Attempts to nationally harmonise market and subsidy settings, without an appreciation of regional context and the role of states as the majority funders, creates financial risk and risks disconnecting training from the jobs available locally. Further, national subsidy setting would not account for the key differences in economic and skills profiles of the states and territories.

#### The importance of the public provider

Public providers are the backbone of the VET sector and the Queensland Government is committed to supporting our public providers to continue to partner with industry and Government to deliver the skills needed by employers, and to provide individuals with the skills and knowledge they need to participate in society and the economy.

Public providers play a key role in Queensland’s VET market, particularly in servicing Queensland’s diverse regions, providing equitable access to training, and servicing

disadvantaged students and communities. Access to VET in many regions of the state is critically dependent on TAFE, and the community service obligations of the public providers enables this access. The diverse role the public provider plays in the VET system needs to be adequately recognised in any future discussions about funding or reform.

Queensland currently has a mix of public and private providers in a competitive market. Recent reports, such as the Queensland Audit Office's *Investing in VET* report, have noted Queensland effectively manages the risks of funding public and private training providers in a contestable market, which provides students and the public greater assurance that funded training providers are delivering quality, industry standard training that meets industry skills needs and supports employment opportunities.

### Parity and Apprentices and Trainees

The VET system could be enhanced by recognition of the value of VET as an equal pathway for learners rather than an alternative to higher education. The Interim Report considers the inconsistency in loan arrangements between the VET and higher education sectors. The Queensland Government's view is that achieving greater parity between VET and higher education is critical to ensuring equitable access to affordable training for students, particularly those in need of financial support and who would otherwise not necessarily be able to undertake training.

For example, loan caps introduced under the VET Student Loans (VSL) program in 2017 has meant that a large number of VET students had to source additional funds to undertake their studies. This creates affordability issues for those students who are already price sensitive and/or financially disadvantaged. Any changes to the VSL program that increase affordability and accessibility should continue to be pursued.

The Interim Report also proposes options for a broader role for income contingent loans. While Queensland continues to advocate strongly for changes to the VSL program to make it more equitable with the higher education loan program, some of the options for changing the VSL program could be at a cost to funding for the states and territories if adopted. The Interim Report recognises that some of these options, notably expanding access to VSL, would represent a radical shift in approach and potentially a significant change in the roles and responsibilities of governments. More research and analysis is therefore necessary before the options proposed in the Interim Report can be considered further, including the potential negative impact on learner behaviour.

The Queensland Government is supportive of suggested changes to apprenticeship and traineeship incentives. These have not been reviewed for some years so any opportunity to effect change is timely.

### Assessment of Skills Shortages

A skilled workforce is critical for future economic growth and productivity, and is a key driver of industry attraction and investment. However, skills demand is broader than just current skills shortages. Assessment of skills needs must be underpinned by a clear focus on future skills needs to support strategic decisions made by states and territories in relation to industry,

regional and economic growth priorities. A forward-looking focus allows states and territories to funnel their investment into areas of strategic importance to the state.

Importantly, the assessment of skills needs is specific to the context and environment of each state and territory. States and territories need to be able to determine their own skills needs and respond in a way that meets student, industry and broader economic needs. The National Skills Commission could provide guidance on approaches to determining skills needs but ultimately, each state and territory is best placed to conduct assessments that are responsive to their regional and local contexts. In Queensland, these decisions are informed by strong local stakeholder and industry engagement.

### VET for School Students

Queensland recently made a submission to the review of senior secondary pathways into work, further education and training commissioned by the COAG Education Council under the National School Reform Agreement. This addressed the matters raised in the PC Interim Report with respect to the quality of VET in schools and career advice for school students. The Productivity Commission should consider Queensland's submission to this review once it is published, which is expected to be in the near future.

The Queensland Government welcomes the opportunity to continue to work collaboratively to strengthen the national VET system. A more agile, integrated and flexible system focused on quality, relevance and accessibility is needed to effectively meet the skills and training needs of Australia's modern economy. This is of particular importance now, during economic recovery following the COVID-19 pandemic.