

PRODUCTIVITY COMMISSION STUDY INTO THE EDUCATION AND TRAINING WORKFORCE

SUBMISSION BY THE POLYTECHNIC OF WESTERN AUSTRALIA – JUNE 2010

OPENING COMMENTS

Background. The Polytechnic of Western Australia (PWA) was established in January 2003 (then known as Swan TAFE). PWA currently employs over 1,170 full-time and part-time staff and services around 31,000 students (full-time and part-time).

PWA has an annual operating budget of approximately \$128 million and each year delivers over seven million Student Contact Hours (SCH) from five major campuses and four training centres along Perth's north-eastern and south-eastern corridors.

PWA is the largest provider of trade training in Western Australia with over 12,500 apprentices (in May 2010) and over the past three years the number of employment-based apprentices and traineeships enrolled at PWA has increased by 38% and 20% respectively. This trend is expected to continue, particularly in the key trades areas of Building and Construction, and Metals, Mining and Engineering.

The reduction in apprenticeship terms (from four to two years) has also resulted in an increase in delivery demand since 2007 – currently up by 18% in the 'wet' Building trades and Carpentry and Joinery, and approximately 65% in the housing construction industry over the three-year period ending June 2010.

The following opening comments are intended to 'set the scene' or provide an appreciation of some of the factors that influence the development of the Western Australian VET sector's workforce and should be considered in the context of a single, albeit significant, publically funded training provider in the WA VET sector.

While the comments made by the Polytechnic of Western Australia (PWA) can in most cases be applied across the sector they may not necessarily reflect the position of the Department of Training and Workforce Development or the other public institutions that make up the WA VET sector.

Local and Strategic Issues. Many of the workforce issues confronting the VET sector are local in nature (ie. at the institutional level) and therefore relatively minor in comparison to the macro or broader political, industrial and economic issues influencing and moulding the education and training workforce overall.

For instance, funding for publically funded VET providers is a sector-wide issue that has a direct impact on all institutions and their ability to respond to labour markets forces, particularly as skill shortages invariably lead to higher operating costs as lecturers demanding starting salaries comparable to those offered by industry. These additional costs have a direct impact on an institution's operating and financial position, and therefore their long-term sustainability, and that of the sector.

Such pressures were a feature of the Western Australian labour market during the last resources boom. The resultant skills shortage that hit the VET sector then, particularly in the trades training areas, will no doubt be a feature of the next.

In 2007, PWA, undertook a self funded recruitment advertising/marketing campaign to attract new lecturers. The result was over 900 formal applications in an economic climate of exceptional growth and record low unemployment. Over 100 new lecturers were eventually recruited, which was sufficient to meet PWA's needs to provide training capacity in key industry and skill shortage areas.

In many cases the new lecturers were appointed at salary grades/levels above what would be considered 'normal'. As funding for salaries based on a formula that was generally less than the 'above grade' appointments PWA sought and was approved additional funding, thereby averting a budget shortfall.

As a result, an attempt has been made to identify the issues that can be classified as being organisation-centric' – the local issues that affect the day-to-day operations of institutions and its workforce and the 'strategic' issues ie. those issues that are influenced by broader politics and national policies and agendas.

Infrastructure and Technology. A studying of workforce issues should also consider the impact of infrastructure and technology on workforce efficiency and effectiveness, particularly their role as incentive/disincentive to workforce recruitment and deployment. Afterall, there is little to be gained by having a well trained and flexible workforce if there are inadequate or non-existent facilities to meet the demand for more training, or if facilities and equipment are not at a standard or currency expected by industry.

KEY ISSUES: PRODUCTIVITY COMMISSION BRIEFING

In the context of the Productivity Council's key reporting areas, the following issues have been identified as having an effect on the Western Australian VET sector overall and in particular PWA's capacity to remain competitive in an increasingly competitive labour market; and its ability to meet the short and long term demand from industry for skilled and qualified workers.

1. FACTORS AFFECTING THE CURRENT AND FUTURE DEMAND FOR THE VET WORKFORCE, AND THE REQUIRED MIX OF SKILLS AND KNOWLEDGE.

Competitive Labour Markets. In an expanding economy, the VET sector like all sectors must compete in the labour market. The sector's competitiveness is determined by its ability to offer competitive (starting) salaries, attractive work conditions, and wherever possible 'non-monetary' incentives.

During the last economic growth cycle, lecturing staff recruited demanded commencement salaries based on their capacity to earn in the private sector. This necessitated PWA to offer commencement salaries – sometimes up to 30% higher – and market certain attractive aspects of public sector employment eg. permanency, annual leave entitlements etc., to a prospective employees.

In WA, the current funding model for publically funded registered training organisations (RTOs) provides for an average salary of about \$68,000 (for a Grade 5 Lecturer). This does not provide for much flexibility when considering the average wage being paid to workers in the resources and building and construction sectors in 2008 was \$142,532 and \$89,232, respectively. [Australian Bureau of Statistics]

During 2008/09, wages growth in the Construction (8.9%) and Mining (7.1%) industries was significantly higher than the VET sector where lecturer salaries generally increased annually by the CPI ie. between 3.0% and 3.6%. [Australian Bureau of Statistics]

This disparity could be expected to continue and possibly increase as economic growth rates return to pre-2008 levels. The impact on public RTOs, if they are to remain competitive in the labour market, operating in a fixed or low growth funding environment, is a significant operating cost burden, or as was the case with PWA in 2007, to request additional salaries funding from their controlling authorities.

WA's Differing Labour Market. During 2005-07, WA's skilled vacancy index was the highest and its unemployment rate the lowest of any state or territory in the Commonwealth. A significant contributor was the State's economic growth which peaked at 8% at the end of 2007. Only Queensland, which is also resources-based economy, had figures comparable to Western Australia. [Australian Bureau of Statistics]

This difference has been referred to as Australia's 'two-speed' economy, which is highly relevant to decision makers when addressing workforce issues and in particular skills shortages through public policy initiatives as vastly different outcomes can result depending on which economy you are a participant in. A recent acknowledgement of this difference is the development of WA's own migration-skills list which is in addition and supplementary to the national Skilled Occupations List.

Such structural differences are likely to remain a feature of the Australian economy into the future.

Block Training - Effect on Regional Areas. PWA currently provides training for about 16% of apprentices and trainees based in regional Western Australia. Regional students undertake their training in blocks to minimise the impact on their employers and their families, and to minimise cost. In addition, over half of these apprentices and trainees are employed by small businesses (ie. less than 20 employees).

During the economic peak of 2007/08 it was increasingly difficult to program block training due to shortages in lecturing staff and employers including those regionally based being reluctant to release their apprentices because of work demands.

This creates a potential public policy dilemma - improving training output, particularly in skill shortage areas, will assist small business in meeting their workforce needs and thereby improve their productivity and potential to expand their operations and client base. However, not being able to access their apprentices to provide institutionally-based training ultimately denies the same employers the benefits and opportunities identified above.

Flexible Training Delivery. In Western Australia and across a number of states and territories, PWA has championed the concept of faster, more flexible and responsive apprenticeship training which will minimise the time taken to train apprentices to a standard required by industry. Initiatives such as 'Transforming Trade Training' (TTT) has resulted in more training and assessment being undertaken in the workplace, thereby minimising the period apprentices are away from the primary place of work.

The cost of deploying TTT staff is significantly higher than the equivalent campus-based delivery and assessment model. Costs include mobile resources such as mobile phones, laptops and vehicles. There is also a cost associated with changed work practices as lecturers develop individual training plans for students which can involve extended consultation with the employer and the employee. The existing funding model is not conducive to flexible delivery modes as it assumes a certain level of funding per SCH and encourages optimised class sizes and student/lecturer ratios.

Emphasis on Formal Training and Trend Towards Higher Level Qualifications

There is a presumption that in buoyant economic times there is a higher demand for training or up-skilling. The facts point to the contrary. In WA, during the recent boom which was characterised by low unemployment, record high participation rates and high overtime levels, saw a decline in tertiary enrolments and unmet offers for workers to up-skill or re-train. The lure of relatively high wages, even for unskilled occupations, also impacted on the number of people enrolling and completing training course.

An indirect effect from this reduction in demand was a levelling out of the training tempo to more sustainable levels and the number of additional lecturing staff required.

Exceptions have been the relatively high demand for training in para-professional skills areas such as veterinary nursing. Increased economic activity significantly increases the sector's ability to attract and retain lectures that have the necessary skills and qualifications in these fields as they will generally demand higher rates of pay.

Demand for Entrepreneurial skills in a Commercial VET Sector. Public sector agencies generally have a poor track-record in making the transition from public goods provider to 'entrepreneur'. A greater focus on entrepreneurial activity in the VET sector as a 'responsive' to market demands and pressures is likely to lead to an increase in partnerships and co-operative arrangements with private sector RTOs and industry. This will require an equivalent focus on governance arrangements to ensure the sector is not exposed to financial, commercial and legal risk.

In WA, much of the governance framework that exists today is in response to the excesses of past attempts to link the public sector to commercial opportunity and market forces through partnerships and collaboration with the private sector.

2. THE CURRENT AND FUTURE SUPPLY OF THE VET WORKFORCE

Attraction to the Profession. In 2006, Swan TAFE (now PWA) undertook an innovative advertising campaign - "Tricks of the Trade" - which targeted conditions of employment and lifestyle changes as a way of compensating for the generally more attractive salaries offered by industry, particularly the resources sector. In a very tight labour market the response was overwhelming with over 1,000 applications being received, including a number from overseas. The success of this type of marketing/recruitment strategy would lend itself to any future workforce planning strategy for the sector.

Feedback generated by this campaign highlighted the negative effect that increasing non-teaching duties and tasks can have on the attractiveness of VET as a career. This was particular the case with potential trades lecturers who may not possess administrative and computing skills or have an interest in developing skills in these areas.

Increasing Recruitment Costs. In addition to expensive marketing/recruiting campaigns there are significant other costs eg. relocation costs, associated with recruiting staff. This is particularly so when recruitment is from outside the metropolitan area or from inter-state and overseas. During 2006/07, PWA's associated recruitment costs increased to approximately \$200,000. This was a marked increase in the previous annual cost of about \$25,000.

Such costs are rarely identified in formal funding agreements and as a result must be met from annual operating budgets further placing pressure on the financial viability and sustainability of the training provider.

Competitive Funding of Training. The Commonwealth Government's desire to reform the VET sector by encouraging greater competition will have an impact on public RTO operations, particularly where private RTOs may see business opportunities in existing or traditional delivery areas. Such a trend would lead to lecturing staff being enticed to private RTOs, creating shortages in the public sector and potentially skewing salary level expectations and work conditions.

Also, private providers are notorious for selecting delivery areas that are high profile and high return, leaving the less profitable (ie. thin markets) to the publically funded sector. An open market will only further encourage the delivery in popular and profitable courses and a withdrawal from the opposite, thereby denying certain occupations with access to training opportunities to replenish their workforce.

The Management Review of NSW TAFE (the Scott Report, 1989) into the commercialisation of the NSW VET sector highlighted a number of issues which would indicate that not all VET lecturers' value or see a need for entrepreneurial activity, and therefore training. Many saw publically provided training as a public good and that meeting community service obligations was a priority ahead of financial return. This resistance to commercialisation was also expressed in terms of the quality of delivery and ultimately the elimination of low profile or low demand courses in favour of those that provided a financial return.

3. THE STRUCTURE OF THE WORKFORCE AND ITS CONSEQUENT; EFFICIENCY AND EFFECTIVENESS

Current Work Practices and Industrial Award Restrictions. The notion of 'permanent employment' is one of the obvious distinguishing features of the public RTO workforce. This feature can act as strong incentives for attracting future VET lecturers (along with other 'lifestyle' conditions of employment).

A large permanent workforce, however, does not provide the flexibility the public VET sector needs to ensure it is able to respond quickly to meet short-term and 'delivery on-demand' scenarios that may develop in response to industry demands. The challenge for the sector is to maintain the optimal number, type and mix of 'permanent' lecturers to meet mainstream training demand, and a 'non-permanent' work force to meet training-on-demand contingencies, which can be reduced during economic down turns.

Current conditions of employment while offering greater flexibility than in the past through flexible hour arrangements still focus on recruiting and maintaining a largely permanent workforce.

Increases in the Use of Casual Staff. Casual lecturers provide a cost effective way of meeting demand during skill shortage periods or for addressing lecturer availability due to staff being on leave or deployed on other tasks. Whilst casual lecturers can complementing permanent staff some of this advantage is lost when they are deployed to undertake essential non-

teaching duties eg. providing advice to students and potential students; administration of students and resources; undertaking recognition of prior learning assessments etc.

This may result in these duties being transferred to a permanent employee which has the effect of further exacerbating a critical staffing situation by placing greater administrative and non-teaching burden on permanent staff.

Increased Administrative Workloads. The changing role of the TAFE lecturer in recent years has seen a significant increase in administrative workloads and duties not directly associated with teaching eg. governance and compliance training. This can have a negative impact on staff, particularly newly appointed lecturers direct from industry who see their primary function as a lecturer being eroded by clerical and administrative tasks. Inefficiencies in deploying staff this way is compounded in some cases if they do not have the necessary (usually IT) skills to perform these tasks.

The challenge is to ensure that non-teaching duties and tasks do not reduce the attractiveness of a VET career.

Ageing Workforce. In the context of the Western Australian public sector, PWA has one of the oldest employee cohorts of any agency. In 2006, the median age of a lecturer was 51 years, of which 41% (or 194 staff) were 55 years or over. In 2010, the average age has increased to 52 years. This is not vastly different from the age profile for the sector overall. As this trend develops the sector will face a range of issues/problems associated with an ageing workforce eg. higher incidences of sick leave, including stress related injuries. Increasing sick leave by lecturing staff will also have an indirect financial impact with the burden being met by existing staff undertaking overtime or the appointment of casual staff.

Overtime Worked. The level of overtime worked at PWA has dropped significantly from the peak in 2006 of 35,000 hours to 19,000 hours in 2009. This is a reflection of the global financial crisis (GFC) and the general economic slow-down. The expected economic boom lead by the resources sector should it occur will create again a high over-time environment. A negative bi-product of increased levels of over-time is an increase in the cost of delivery and in turn increased incidents of stress related injuries as lecturing staff undertaking above normal lecturing loads.

Increased overtime denies staff the opportunity to undertake professional duties such as industry liaison and pastoral care of students resulting more administrative staff being employed (at an additional cost) to ensure these duties are undertaken.

4. RELEVANCE OF INFRASTRUCTURE AND TECHNOLOGY

The availability adequate infrastructure and (rapidly changing and expensive) technology is inextricably linked to VET workforce productivity, and indirectly to addressing skills shortages. The level of capital investment has not kept pace with the rate of technological change in industry and the community, and

the cost of acquiring and/or replacing high-tech testing and production equipment or the maintenance of this equipment is largely beyond the capacity of training institutions operating within existing funding models.

Much of the sector's buildings and infrastructure is not at a standard expected by students and the community with many campuses lacking basic amenities such as good civic space, recreational and vehicle parking facilities, which makes it difficult for the sector to demonstrate to its current and future clients that it is a leading training provider with quality and facilities.

In many cases, existing accommodation is inadequate to meet current delivery requirements and a considerable amount of delivery takes place in overcrowded and poorly planned areas. In many cases there is no capacity or provision for any expansion to meet projected increases in demand.

The lack of capital investment has also lead to a number of indirect occupational safety and health issues due to insufficient space and overcrowded training areas. This is particularly relevant at places where the trade training is carried out.

Transport and access is also a key issue for the sector due to VET facilities generally being located in areas not well served by public transport. The effect is to encourage student vehicles usage which creates the added impost for institutions of providing inexpensive, safe and convenient parking.

Technology and the Gen X and Y. The VET sector has yet to fully address the training needs of the gen-X and Y cohorts who see technology as a logical extension of everyday life including learning. The study needs to consider the issue of information systems technology and development in eLearning and its impact on the VET workforce of the future. Technology has the ability to revolutionise training by making traditional delivery methods and existing infrastructure less relevant. These changes will impact on the mix and number of lecturing staff required to address any future skills shortfall that is expected assuming lecturing staff are trained and able to apply the technology.