



AUSTRALIAN INDUSTRY
GROUP

**Productivity Commission
Draft Research Report**

Vocational Education and Training Workforce

Response

February 2011

About the Australian Industry Group

The Australian Industry Group (Ai Group) is a leading industry association in Australia. Ai Group member businesses employ around 750,000 staff in an expanding range of industry sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other related service industries.

In preparing this submission Ai Group has drawn on the expertise of its Education and Training Policy team and also its member advisors located in Queensland, New South Wales, Victoria and South Australia who are dealing directly with member companies on a day-to-day basis on skilling issues.

Submission Preface

The Australian Industry Group is pleased to have this opportunity to comment on the Productivity Commission's Draft Research Report on the Vocational Education and Training Workforce. The very extensive report draws together quantitative and qualitative research and supplements it with illustrative extracts from submissions to provide a detailed analysis of this very important sector.

Skilling is an issue of central importance to Ai Group, an issue closely linked to productivity. Productivity growth in Australia has stalled. After strong rates of productivity growth in the 1990s, we have gone backwards over the last decade. Improving the rate of productivity growth is the necessary response to the demographic challenges and the endemic skills and labour shortages we are now facing.

Australia is currently experiencing skills shortages across the economy, including in many of our key industry sectors. This is an immediate concern to industry but we know it is only going to deteriorate. Australia needs an additional 240,000 skilled workers over the next five years to meet the needs of an economy on the brink of unprecedented growth¹.

The lack of skilled workers has the effect of limiting production and service delivery and it also has the effect of reducing innovation – skilled workers drive innovation by turning ideas into new products, services and processes for the benefit of the economy and society².

Skills shortages are being experienced across the economy and across the full range of skills. Of particular concern is the inadequacy of our workforce's foundation skills. Approximately 46% of Australia's working age population (7 million adults) has literacy scores below the minimum required to function fully in life and work. In terms of numeracy it was 53% or 7.9 million below the required level.³ In excess of four million of these people are currently employed in the Australian workforce. The latest survey revealed that Australian levels have shown little improvement since the previous survey – 10 years ago. Literacy levels have a direct link to productivity levels⁴.

A failure to develop these skills will result in decreased productivity and profitability. Other non-technical skill areas are also in shortage and those skills related to innovation are often overlooked. The Australian innovation system consistently underperforms on most measures of collaboration and networking. Information technology, marketing and business skills are the most frequent skills used for innovation. The largest shortage of skills required for innovation was in the trades⁵.

¹ Skills Australia (2010), Australian Workforce Futures, Commonwealth of Australia

² Australian Innovation System Report 2010, Department of Innovation, Industry, Science and Research, Commonwealth of Australia

³ Adult Literacy and Lifeskills Survey at <http://www.abs.gov.au/ausstats/abs>

⁴ Canadian research undertaken as part of an OECD study indicates that a 1% increase in the national literacy score is associated with 2.5% higher labour productivity and an associated increase in GDP per capita. The recent Commonwealth Budget referred to the Productivity Commission estimate that increases in literacy and numeracy together with improvements in early childhood education and higher educational attainment could raise aggregate labour productivity by 1.2% in 2030.

⁵ Australian Innovation System Report 2010, Department of Innovation, Industry, Science and Research, Commonwealth of Australia.

Our economic prospects will deteriorate significantly if our current performance is not improved. This will require bold reform, particularly around the capacity and capability of the Vocational Education and Training Workforce.

Ai Group's response to the draft report on the VET workforce is provided from the perspective of what industry needs from a skilled workforce and how it goes about building on and deepening workforce skills. Industry needs skills which can be readily applied and this requires a VET workforce which has a deep understanding and engagement with industry and which understands that workforce skills development covers all forms of learning and skills acquisition, not just formal learning. This concept was the organising principle for the research that underpinned the Ai Group's *Skilling the Existing Workforce Project*.⁶ (In this report the concept was cast as 'workforce skills development' in keeping with the focus of the report.)

Ai Group remains concerned about the lack of responsiveness to industry skilling needs by Registered Training Organisations. Training providers need to be much more flexible in their dealings with industry to increase this responsiveness. This includes collaboratively developing customized solutions to enterprise skilling problems rather than "off the shelf" solutions, the inclusion of such working relationships in Key Performance Indicators within training organisations and a review of funding approaches to support these goals.

Measures need to be introduced to promote workforce development policies and programs across governments. Funding levers to support this approach need to be developed and implemented in consultation with industry.

A major concern of Ai Group in relation to the VET sector and the VET workforce is the relatively small amount of training delivery in the workplace. Campus-based delivery remains by far the largest form of delivery and only 14% of delivery occurs in workplaces (excluding apprentices and trainees).⁷ Industry has consistently and strongly stated its preference for work-based training and this statistic demonstrates that the VET sector is not adequately responding to industry needs.

The lack of training sector responsiveness is reflected in employer views. Measures of employer satisfaction with the training delivered by the vocational education and training system vary. Research indicates that between 10 and 15% of employers are not satisfied with the training delivered⁸, though this has improved slightly over time. Students report similar levels of satisfaction⁹. Some of the dissatisfaction employers have with the training system comes from the lack of a national system; employers operating across State and Territory borders still have to cope with State-based systems. The aim for a training service should not just be 'satisfactory' but excellent. The National Skills Policy Collaboration, as cited in the Draft Report, considers the match between industry needs and what is being delivered as an 'enduring concern'.¹⁰

Public RTOs have been very slow to embrace work-based delivery compared to private RTOs. The issues include how they are funded by their state training authorities, how they internally fund their departments, and how they manage an

⁶ Skilling the Existing Workforce, Final Report, Australian Industry Group, December 2008.

⁷ Creating a future direction for Australian vocational education and training, Discussion Paper, Skills Australia.

⁸ Employers' Use and Views of the VET System, NCVET 2009.

⁹ Australian Vocational Education and Training Statistics, Student Outcomes 2009, NCVET 2009.

¹⁰ Section 5.21 and Investing Wisely, 2009.

increasingly ageing workforce. There needs to be a concerted effort to provide support to public RTOs to encourage work-based delivery through professional development and through the introduction of greater internal flexibility. Our feedback from companies is that it is often the case that the senior staff of RTOs embrace work-based delivery as an increasingly important part of their offering, but training staff have a less than complete picture of how this can be provided, are often working to outdated notions of how it is funded and the policy drivers which support it and so actively work against its implementation.

This is an important issue for companies when it comes to upskilling their existing workers, particularly their low skilled workers many of whom have limited personal flexibility around time and financial resources and skilling at the work site is the only realistic option for upskilling they can pursue. Cultural change in RTOs through reinigorated professional development will form part of the solution.

There are particular concerns about the training in language, literacy and numeracy. The low levels of literacy and numeracy in the workforce as evidenced by the Australian Adult Literacy and Lifeskills Survey results¹¹ and Ai Group research¹² indicate a significant increase in the need for trained language literacy and numeracy teachers.

There is also a greater need for VET practitioners to more effectively engage with industry and employers. Changing the status of the elective unit to compulsory unit within the VET practitioner Certificate IV requirement is one measure that could be considered. This requires that the Certificate IV itself is sufficiently rigorous and it will be necessary to wait until current research undertaken through the National Quality Council determines this. The maintenance of industry currency is also an issue of concern to industry. In addition, the belated consideration of a movement to the adoption of professional standards is welcomed.

¹¹ Australian Bureau of Statistics, 4228.0, Adult Literacy and Life Skills Survey, Summary results, Australia, 2006.

¹² Report on Employers Views on Workplace Literacy and Numeracy Skills, Australian Industry Group, May 2010.

Australian Industry Group comment on the Draft Research Report, recommendations, findings and information requests

The VET Sector and the VET Workforce

Ai Group notes and understands the rationale behind the Commission's working definition of the VET sector to be restricted to accredited training delivered by Registered Training Organisations. However, we wish to reiterate the importance of informal and non-formal learning in the workplace which is acknowledged in the draft report (Section 2.6). It is also important to note that the Commission's working definition excludes a great deal of activity in the private sector as this data is not collected.

Ai Group supports the Commission's draft finding 2.1 in relation to the VET sector. The increasing movement to the notion of a tertiary sector should not be at the expense of the VET sector. In this context it is unfortunate that the Commission chose only to highlight VET sector pathways to higher education and not vice versa. In contrast, it is important to stress the validity of VET pathways in their own right even within an integrated tertiary sector. It is important for the VET sector to not 'lose its way' and concentrate on higher level qualifications, especially those provided by higher education. The VET sector overwhelmingly provides foundation skills and trade, intermediate, supervisory and para-professional training for industry and this should remain the main focus.

Ai Group notes with concern the lack of any robust and detailed data on the workforce. The estimated levels of teaching qualifications are also a concern given the NCVET estimate of trainers and assessors 'with some type of teaching qualification' at about 42% in TAFE and only 8% in the non-TAFE sector.¹³ This lack of qualifications is compounded by the lack of a real career structure in VET teaching. Notwithstanding these shortcomings, the draft finding 3.1 in relation to the characterisation of the VET workforce accurately reflects the current situation.

Government Involvement in the VET Sector

Ai Group notes the Commission's findings 4.1 and 4.2 in relation to the public provider, which identify the number of non-commercial objectives of public providers and the potential benefit of increased use of explicit on-budget community service obligation payments to all VET providers (to compensate for provision of non-commercial activities.) This is particularly the case in regard to the social and equity considerations of TAFE as a provider of 'second chance' education and training. The argument is strengthened by the additional considerations of VET delivery to the disadvantaged including those in regional and remote areas. It remains important for the public VET sector to continue delivery to these groups especially in relation to foundation skills. In addition to considerations of the social and equity importance of this, recent Ai Group research has established that 75% of employers report that their businesses are affected by low levels of literacy and numeracy.¹⁴ It is important to address the low levels of literacy and numeracy in the workforce through the development and implementation of a multi-pronged national strategy with strong industry leadership.

¹³ Section 3.9.

¹⁴ Report on Employers' Views on Workplace Literacy and Numeracy Skills, Australian Industry Group, May 2010, pages 4- 5.

Government involvement is necessary as the market for training can be both imperfect and thin. The movement towards increased contestable funding in some jurisdictions needs to be carefully monitored. Unfettered individual choice does not necessarily meet industry requirements. A mixed or managed market will provide a better outcome for industry. The necessary provision of foundation skills, such as literacy and numeracy, are not readily subject to more commercial objectives and need to be provided on a systemic basis.

Implications for a changing environment for the VET workforce

Ai Group notes the draft finding 6.1 and agrees that there will be increased demands on the VET workforce over the medium term. The issue is that given the current difficulties of the VET sector and its workforce meeting industry needs there are major concerns about their capacity to be responsive in an environment of increased demand.

The necessary context for this is an expansion of funding to the VET sector. The Draft Report indicates that currently Australian governments, students and industry invest approximately \$6 billion annually in Australia's publicly funded VET system. In order to achieve COAG targets, Skills Australia has estimated that participation rates in VET need to grow by 3% per annum to meet Australia's future workforce needs.¹⁵ This equates to an additional \$660 million per annum until 2020. The government has addressed this in part by making skills a centerpiece of the budget referred to as *Skills for Sustainable Growth*. An additional \$661.2 million has been allocated over the next four years.

Revenue for schools and higher education has risen at a much faster rate than for VET. In the 1999-2000 to 2007-2008 period revenue for the school sector increased from \$25 to \$31 billion and for higher education from \$12 to \$15 billion. TAFE in comparison remained static at \$6 billion throughout the period. Within the tertiary sector universities have a capacity to earn additional income through higher student fees ameliorated through the availability of HECS HELP. VET remains 'the poor cousin' in these sector comparisons.

State/Territory expenditure as a proportion of total VET revenue fell from 56.7% in 2001 to 50.5% in 2008. The proportion of Commonwealth expenditure only increased by 2% during this period, whereas Fee-for-Service funding activity increased from 11% to 16%. As a consequence of the small increases in government funding for VET the funding levels per student contact hour fell between 2004 and 2008.¹⁶ It is clear that revenue needs to increase considerably to meet COAG targets and meet the needs of the economy. The VET workforce needs to significantly expand to be able to meet the needed growth of the sector.

Ensuring workforce capacity and efficiency

Ai Group notes draft finding 7.1 concerning the lack of consistent national data concerning the VET workforce. It is clear that better data inclusive of the private VET sector is required to inform policy and assist with workforce planning. This has been the case for some time. Accordingly, Ai Group supports the recommendations 7.1 and 7.2 involving the NCVET to undertake this work.

¹⁵ Australian Workforce Futures, A National Workforce Development Strategy, Skills Australia, 2010.

¹⁶ Creating a future direction for Australian vocational education and training, Skills Australia Discussion Paper, October 2010, Figure 11, pages 74 - 75.

Draft finding 7.2 and recommendation 7.3 address the issues of wage structures and industrial agreements. Ai Group agrees that current arrangements impede the recruitment and retention of appropriate VET staff. There are significant variations in the rates of pay between permanent and casual workers and across the different jurisdictions. Movement towards more flexible industrial relations arrangements in the TAFE sector would enable a more effective response to industry training needs.

Ensuring workforce capability

Ai Group notes that the Commission concludes that the Certificate IV in Education and Training is an appropriate qualification for VET practitioners (draft finding 8.1) and that many trainers and assessors do not have this minimum requirement (draft finding 8.2). It is a major concern to industry that the Commission has highlighted that a minimum of 36 000 VET practitioners already engaged in the field do not have this qualification.¹⁷

Recommendation 8.1 calls for more frequent and intensive auditing of this qualification by jurisdiction regulators. Recommendation 8.2 calls for the publication of these audit outcomes. Ai Group supports these recommendations as they will contribute to more consistent delivery of the Certificate to the required regulatory standard.

Recommendation 8.3 advances the notion that the demonstration of competence should include the preparation and delivery of at least four consecutive supervised training sessions. This more stringent evidence requirement via a practicum will contribute to the overall quality of the qualification and is supported by Ai Group.

Recommendation 8.4 calls for the completion of the Certificate IV from TAE10 by VET practitioners within two years of commencing employment. This is consistent with the need for more VET practitioners to have completed this qualification than at present. The less onerous requirement for industry experts to acquire a relevant Skill Set is a reasonable recommendation. The suggestion to secure the services of more Indigenous VET workers is also supported.

Draft finding 8.3 considers the current educational capabilities of the VET workforce. Evidence gaps are found in a number of areas including the delivery of higher-level qualifications, ICT skills, assessment of RPL and RCC and capability gaps among VET managers and leaders. Ai Group would add to this that there is also a capability gap for some VET practitioners of direct delivery in the workplace. As indicated in our earlier response to the Issues Paper, Ai Group research indicates that industry is increasingly turning to the training of their existing workforce.¹⁸

Draft finding 8.4 notes the lack of understanding and research about industry currency and the need to address this through professional development. Recommendation 8.6 calls for jurisdictions and non-government RTOs to assess the adequacy of funding for ongoing professional development, for the professional development to be the joint responsibility of RTO employers and employees and for IBSA to consult with the sector about options for ongoing professional development.

Ai Group believes that this recommendation does not go far enough. We believe that it is a priority to establish a national VET professional development strategy to lift the

¹⁷ Section 8.12.

¹⁸ As detailed in Ai Group submission to the Vocational Education and Training Workforce Productivity Commission Issues Paper, 30 July 2010.

teaching capability of the VET workforce. The strategy would address the various needs of different VET professionals and provide more a more consistent definition about industry currency. The development of such a strategy does not remove responsibility from RTOs as indicated in the Draft Report (Section 8.36). Rather, it would provide a consistent national framework that would help address the standards and status of VET professionals.

Specific Information requests

The Commission has made some specific information requests in the draft report and Ai Group wishes to respond to some of these:

The Commission seeks further input on whether VET-in-Schools teachers should be required to have the Certificate IV in Training and Education.

This situation is currently covered under the Australian Quality Training Framework (AQTF) standards for VET in Schools programs providing AQF qualifications. It is understood that where a VET in Schools practitioner does not possess the Certificate IV they must be supervised by someone who does. It is preferable that over time all VET in Schools practitioners acquire the qualification themselves. There are long-standing issues in relation to the delivery of VET in Schools programs identified in our submission to the Issues Paper.¹⁹ Teachers working in this area need to work across two sectors with different teacher qualification requirements. Accordingly, VET in Schools teachers need to be qualified as both secondary teachers and VET trainers. In addition, VET in Schools teachers also require appropriate industry qualifications and experience commensurate with other VET practitioners. The lack of these requirements, together with the lack of workplace experience for many students, are the root causes of industry concerns about the quality of VET in Schools programs. In essence, VET in Schools teachers should have the same requirements as all other VET practitioners.

The Commission seeks information on the ability of RTOs delivering the Certificate IV in Training and Assessment to significantly increase their scale of delivery while also improving quality and compliance. It would also welcome information on the ability of state and territory regulators to more intensively audit and enforce compliance in the event of an increase in the number of RTOs delivering the Certificate IV. Finally, the Commission seeks views on the appropriateness of increasing from two to five years the transition period during which existing VET practitioners should be required to gain a full Certificate IV.

The quality of the delivery of the Certificate IV TAE is a current major concern of Ai Group. It is essential that steps are taken to correct this especially in view of any proposed increase in the scale of delivery. This issue would most effectively be addressed in the context of the establishment of the national VET Regulator.

Ai Group does not favour an extension of the transition period from two to five years for existing VET practitioners to gain the full Certificate IV. Indeed, it is already a generous proposition that this qualification can be acquired concurrently. It would be appropriate to link this requirement to the establishment of the national VET Regulator to increase the likelihood of national compliance. It would be reasonable to permit some period of transition after the establishment of the national VET Regulator for this to occur.

¹⁹ Ai Group submission to the Vocational Education and Training Workforce Productivity Commission Issues Paper, 30 July 2010.

Additionally, given the nature of the VET cohort and VET's projected expansion to include more disadvantaged learners, we consider the Language, Literacy and Numeracy (LLN) elective in the TAE should be made mandatory. This would help practitioners to identify student need, design training and assessment that is fit for purpose and to seek out specialist assistance when needed.

The Commission would welcome information on the additional knowledge and skills required by VET practitioners delivering within workplaces, and evidence on whether or not the workforce has adequate capability in this area.

This is a major area of concern as employers are increasingly seeking to upskill their existing workforce and in the workplace. The Draft Report notes that there is some evidence that employment-based delivery places additional skills requirements on VET practitioners.²⁰ Ai Group research indicates that this is the case.²¹ VET practitioners are required to be flexible in terms of addressing company needs in terms of grouping trainees, the timing of delivery and the relationship of training requirements to other company needs such as production. Training solutions need to be customised to the specific needs of the workplace including the development and use of training materials. Many workforces lack this capacity themselves and so expert training assistance is required.

²⁰ Section 8.25.

²¹ As evidenced especially in the Skilling the Existing Workforce Final Report, Australian Industry Group, December 2008.

Summary

Draft Recommendations		Ai Group Response
Data Collection		
7.1	The Ministerial Council for Tertiary Education and Employment should engage the National Centre for Vocational Education Research to develop a comprehensive instrument with which to identify the VET workforce as soon as practicable. This instrument should focus on measuring and describing the workforce, but not unduly increase the response burden for providers.	Support
7.2	The National Centre for Vocational Education Research should consider the information required to allow the critical determinants of quality teaching to be investigated quantitatively, and consider the best means of capturing student and industry satisfaction with the VET workforce.	Support
Industrial Agreements		
7.3	State and Territory governments should not have jurisdiction-wide industrial agreements for the TAFE sector. Current arrangements include caps on the use of casual staff, are prescriptive on hours to be worked in TAFE and encourage uniform wages and conditions. These have the effect of limiting the ability of TAFEs to respond quickly to changes in demand and disadvantage them relative to private RTOs. TAFE institutes should be able to select the mix of employment arrangements, supported by contemporary human resource management practices, that best suits their business goals.	Support
Qualifications		
8.1	The Certificate IV in Training and Education (TAE40110) should maintain its status as a high risk qualification. Auditing by state and territory regulators of RTOs with this qualification on their scope needs to be more frequent and more intensive.	Support
8.2	State and territory regulators should publish information on audit outcomes and performance indicators for RTOs, to further incentivise providers to focus on quality training and assessment.	Support
8.3	Innovation and business Skills Australia should amend the Evidence Guide for TAEDEL401A to require those seeking to demonstrate competence at the certificate IV level to prepare and deliver at least four consecutive supervised training sessions. An assessor from outside an RTO delivering the unit should evaluate a student's competence through observation of two of these sessions.	Support
8.4	Within two years of commencing employment, VET practitioners should have completed the Certificate IV from TAE10. Industry experts, working under supervision, should be encouraged but not required to obtain a Certificate IV in TAE. Within two years of commencing delivery of training or assessment, enterprise trainers and assessors working under the supervision of someone with the Certificate IV, should have completed the	Support

Draft Recommendations		Ai Group Response
	Skill Set relevant to their role.	
Indigenous VET Workers		
8.5	In order to improve delivery to Indigenous VET students, VET providers should attempt to secure the services of more Indigenous VET workers. Possible strategies include ensuring the presence of Indigenous staff members on recruitment panels and charging an Indigenous HR manager with attracting, coordinating and retaining Indigenous employees across their organisation. Recognising that it is difficult for VET to attract skilled Indigenous VET workers who are also being sought by industry, the VET sector should also put in place strategies to support Indigenous students to complete their studies within the VET sector.	Support
Professional Development		
8.6	State and territory governments should assess the adequacy of funding provisions for ongoing professional development of their VET workforce. Non-government RTOs should identify capability needs within their workforces and target funding accordingly. Professional development should be a joint responsibility of RTO employers/owners and employees. Innovation and Business Skills Australia should consult with the sector and develop options for ongoing professional development that address competency gaps and/or contribute to further capability development.	Support but with the addition of the development of a national professional development strategy for the VET workforce.
Registration		
8.7	Governments should not endorse or contribute funding to a registration scheme for VET trainers and assessors.	Support