

The Australian Industry Group

# Submission to the Senate Inquiry into Vocational Education and Training in South Australia



## 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 1 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.

## Background

In December 2017 the Australian Skills Quality Authority (ASQA) announced that in completing a review of TAFE SA's response to an audit conducted earlier in the year, it proposed suspending ten qualifications from accepting new enrolments. The audit had identified some issues with 16 qualifications delivered in 2016 in the areas of automotive, meat processing, commercial cookery, health, hairdressing, visual merchandising, building, plumbing and electro-technology.

TAFE SA has since requested additional time – until 2 March – to complete a submission for reconsideration, which ASQA has approved. Any sanctions will be deferred until the reconsideration process has been completed. TAFE SA has stated that the issues were in the area of assessment and indicated its confidence in sanctions not taking effect after more comprehensive remediation plans are developed and further evidence provided.

On 6 December 2017 the Australian Senate referred an inquiry into vocational education and training in South Australia to the Education and Employment References Committee for reporting by 28 February 2018.

## Industry Concern

The Ai Group is extremely concerned by the detail of the extensive range of issues affecting the quality of vocational education and training (VET) in South Australia referred to the Senate Education and Employment Committee for investigation. The provision of quality VET programs responsive to the needs of industry is essential to provide the modern workforce required for the economy. A recent survey report from the NCVET indicates that 55 per cent of employers use the VET system.

**Table 1: Training used by employers<sup>1</sup>**

Training choices	2017
Employers using the VET system (Base: all employers):	54.4
With jobs that require vocational qualifications	37.2
With apprentices and trainees	23.5
Using nationally recognised training <sup>1</sup>	22.4
Employers using unaccredited training	50.8
Employers using informal training	81.4
Employers providing no training	8.7

Note: 1 Nationally recognised training is defined as nationally recognised training that is not part of an apprenticeship or traineeship. For the purposes of this survey, employers with apprenticeships and traineeships are reported separately.

Source: NCVET (2017).

The suspension of courses, reduction of funding and frequent changes to the Training Subsidy List all have a negative impact on the capacity of the VET system to meet industry needs as well as on the reputation of the sector. A pillar of a strong VET sector is industry confidence in the quality of delivery and assessment of training. From an industry perspective this confidence is needed for both public and private providers of training.

## Principles of the Public VET System

On previous occasions the Ai Group has outlined what we consider to be the main principles underpinning the public training system. These are:

- An industry – led system: the purpose of the training system is to provide a highly skilled workforce able to meet the needs of industry in an increasingly complex economy;
- National consistency: industry requires a public training system that is truly national so that consistency of training outcomes is provided across territorial borders;
- Properly resourced: the public training system needs to be properly resourced and efficiently managed in order to provide quality training responsive to industry need;
- Quality system: all aspects of the national training system must reflect quality to maintain industry confidence in the system;

<sup>1</sup> Griffin, T.: Are we all speaking the same language? Understanding 'quality' in the VET sector, NCVET, Commonwealth of Australia, 2017.

- Community provision: a public training system needs to embrace its wider community responsibilities beyond the immediate needs of industry.

Accordingly, any major departure from these principles represents a significant undermining of the confidence in the system to deliver what industry wants.

## A Systemic Problem

While the current inquiry has a focus on South Australia, it needs to be recognised that significant VET problems are not confined to this jurisdiction. All of the jurisdictions have experienced quality problems in recent years. ASQA has suspended or cancelled courses with alarming regularity and in every jurisdiction during 2017 except the Northern Territory.

A common thread to these issues has been the introduction of a competitive training market and its associated policies, especially when these are not closely linked to industry needs. This approach has been based on the twin pillars of funding contestability and student entitlement. This leads to excessive enrolments in some industry areas with little regard for employment prospects. This has been an unfortunate development in the overall positive direction of movement away from a supply-driven training system. Ai Group has consistently supported a balance between the individual demand-driven model and the needs of industry and the economy. It is unwise to leave the provision of training for the needs of industry and the broader economy to market forces alone.

A major issue of the entitlement model is that the VET system is designed to be industry-led and not driven by the individual. The entitlement model is premised on the notion that the consumer makes an informed choice. The VET market however is a very imperfect market and individual consumers are not readily provided with sufficiently adequate information upon which to base a training decision. It is important that individuals are supported to undertake qualifications in areas of need such as skills shortages and foundation skills regardless of whether they have used their entitlement in an original field of study.

Additionally, the governance arrangements for the VET sector are complicated and intertwined. The responsibilities through COAG agreements involve shared roles and responsibilities between the Commonwealth and State and Territory governments. Given these shared arrangements, including for funding, it is difficult for a single jurisdiction such as South Australia to address significant issues in isolation from these arrangements.

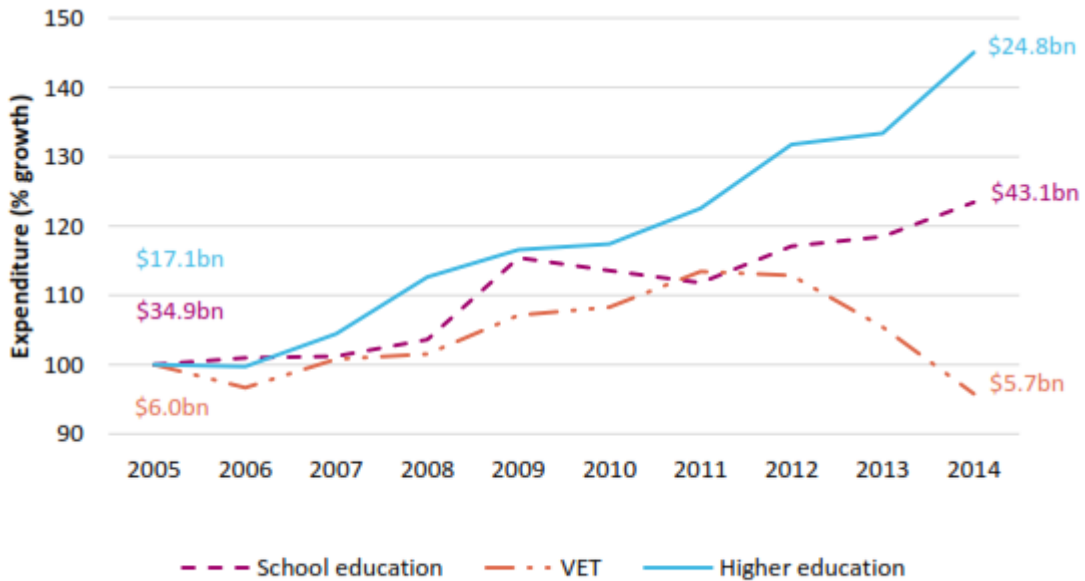
## Decreases in Funding

A further key consideration is the reduced funding in the VET sector. Recent research by the Mitchell Institute shows there has been a much lower rate of growth in VET spending compared with other education sectors. Government expenditure on VET in 2014 – 15 is now below expenditure levels ten years earlier, in real terms. From 2005 – 06 to 2014 – 15 national expenditure fell by 4.2 per cent and in the most recent year it fell by 9 per cent or \$600 million.<sup>2</sup>

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<sup>2</sup>Megan O'Connell and Kate Torii, Expenditure on education and training in Australia, December 2016, Mitchell Institute.

**Chart 1: Change in expenditure on education by sector 2005-06 to 2014-15**

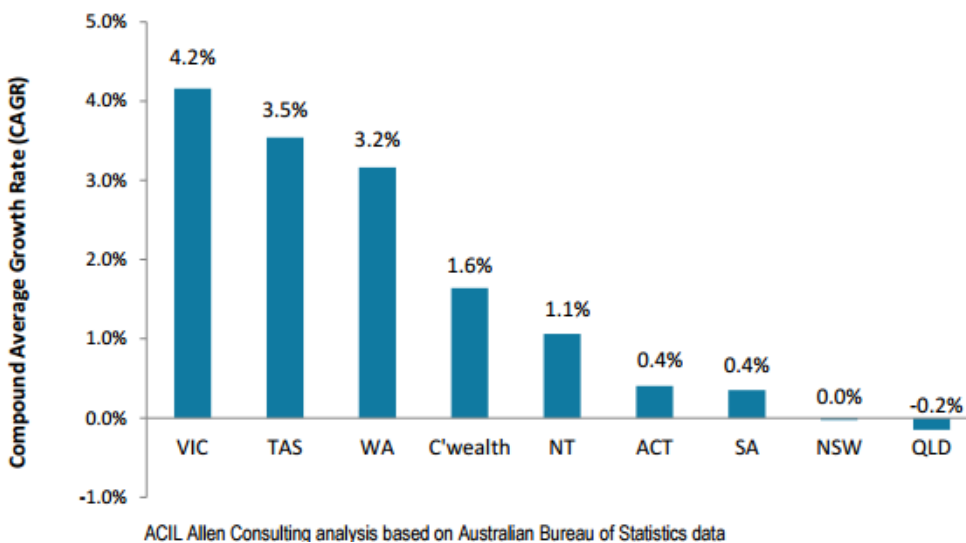


Source: ACIL Allen Consulting analysis based on Australian Bureau of Statistics data

In stark contrast, higher education expenditure has grown rapidly with a 45 per cent increase over this period. In the last year there has been an 8.7 per cent increase or \$2 billion increase in expenditure. The increase in higher education represents a mirror image of the decrease in expenditure for VET.

In addition to the decreases in expenditure for VET compared to other sectors, there is also the issue of the composition of public funding for VET, or more precisely, the shared contributions of the Commonwealth and the States/Territories. The funding by the jurisdictions is falling in absolute terms and also relative to Commonwealth expenditure. The relative funding shares between the Commonwealth and the jurisdictions vary significantly.

**Chart 2: Average growth in VET expenditure across jurisdictions 2003-04 to 2012-13<sup>3</sup>**



ACIL Allen Consulting analysis based on Australian Bureau of Statistics data

<sup>3</sup> Noonan, P. et al: Expenditure on education and training in Australia, Mitchell Institute, October 2014.

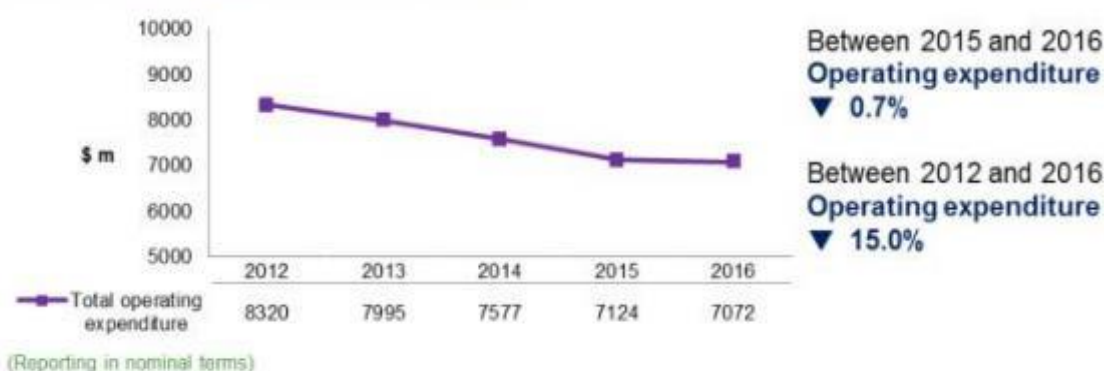
There has been at best, flat growth over a period of ten years. In the case of South Australia, the growth has only been 0.4 per cent over the period.

These differences have been aggravated by the introduction of differential student training entitlement funding models by all states and territories. The jurisdictions have used in-built flexibility parameters resulting in differences in the eligibility requirements, the courses eligible for an entitlement, course subsidy levels, the quality requirements of providers, and the information provided to students.<sup>4</sup>

A recent finance report from the NCVET highlights a continuing decline in government expenditure which amounts to a 15 per cent decrease between 2012 and 2016.<sup>5</sup>

### VET operating expenditure for government training departments and government training providers, 2012–16

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Total operating expenditure decreased by:

- \$52.3 million (0.7%) from \$7124.3 million in 2015 to \$7071.9 million in 2016
- \$1248.1 million (15.0%), between 2012 and 2016.

An analysis of these funding arrangements indicates that the level and composition is not keeping pace with the needs of industry for an increasingly skilled workforce. Increased pressure is being applied to the VET sector trying to maintain quality outcomes in the context of reduced funding.

## Quality of Assessment

In the case of this inquiry in South Australia, it is interesting to note that all the issues for TAFE SA relate to the question of assessment. The capacity of Registered Training Organisations to adequately undertake assessment has been a long-standing concern of the Ai Group.<sup>6</sup>

There is a range of issues in this regard. Industry consultation in the development of training packages is a central component of the VET system, and if this industry input is relevant then training packages will include appropriate assessment guidelines and tools. Using training

<sup>4</sup>Kaye Bowman and Suzy McKenna, NCVET, Jurisdictional approaches to student entitlements: commonalities and differences, 2016

<sup>5</sup> Financial information 2016, NCVET, November 2017.

<sup>6</sup> See for example the response to Quality of assessment in vocational education and training – Discussion Paper, Department of Education and Training, 2016.

package guidelines, and following the Standards, quality RTOs are then able to develop and deliver training and assessment strategies appropriate to learner and workplace needs. Best practice in the VET sector would see quality assessment of demonstration of competence, and adherence to the Standards and principles of assessment at the local level by a trainer working in concert with an employer.

Improving the assessment skills of the VET workforce within the guidelines stipulated under the standards is a key area. Guiding resources include volume of learning requirements, practising the skills in different real-world contexts, and performance and knowledge evidence. The issue is ensuring that RTOs comprehensively follow and comply with the Standards.

The current system needs some strengthening in the form of industry validation to improve the confidence employers have in VET graduates and in training undertaken for their existing workforce. The current standard only suggests that industry experts be involved in an RTO's independent validation process.

The Ai Group supports a strengthening of the compliance mechanisms and identification of assessment issues against the Standards to ensure the current rules around the conduct of and evidence to support RTOs' assessments are effectively undertaken. The standard involving conducting effective assessment already states that the relevant training package assessment requirements must be complied with, and be conducted in accordance with the principles of assessment and rules of evidence. If these are effectively understood and implemented by RTOs and their trainers/assessors, then industry will be involved as appropriate, and graduate competency should be assured.

## The Way Forward

While welcoming the Senate's investigation of the VET sector in South Australia the following actions are suggested:

1. A comprehensive review of the national VET system in Australia.
2. Coordinated and increased expenditure for the VET sector by all governments.
3. Increased professional development for the VET sector workforce about methods of delivery and assessment.



## References

Australian Industry Group response to Quality of assessment in vocational education and training – Discussion Paper, Department of Education and Training, 2016.

Bowman K. and McKenna S., NCVER, Jurisdictional approaches to student entitlements: commonalities and differences, 2016.

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