



17 April 2013

House of Representatives Standing Committee on Education and Employment  
ee.reps@aph.gov.au

**Re: Inquiry into the role of Technical and Further Education system and its operation**

Dear Sir/Madam

**Introduction**

This submission is jointly drafted and supported by the Minerals Council of Australia (MCA), the New South Wales Minerals Council (NSWMC), the Queensland Resources Council (QRC) and the Chamber of Minerals and Energy Western Australia (CME).

There is little disagreement among minerals industry stakeholders about the importance of quality vocational education and training for building both individual human capital and broader economic capital.

The primary function of a Vocational Education and Training (VET) provider is to provide high quality, relevant and assessable education and training to enhance the skills and knowledge held by individuals, enterprises and communities within a context of national productivity, including:

- entry level training or existing worker up-skilling and/or re-skilling;
- preparing people for the world of work, including foundation skills and remedial education in key areas such as language, literacy, numeracy, digital literacy and financial literacy; and
- providing life skills.

There are ongoing concerns about provider quality in the VET system, including the quality of training outcomes, agreed standards, monitoring and auditing and the availability of reliable information on providers.

Industry concerns centre on the flexibility and responsiveness of Technical and Further Education (TAFE), not to mention the outcomes delivered by some private Registered Training Organisations (RTOs).

For many years, the publicly funded Vocational Education and Training (VET) sector, chiefly manifested via TAFE, has largely failed to meet the needs of the minerals industry. The industry and its representative bodies have consistently advocated for reform of the VET sector as we believe that to make an optimum contribution to the Australian economy, the VET sector must be industry led and responsive to the needs of industry.



Progress towards a demand-driven VET sector is acknowledged, though concerns continue about the variable quality of training outcomes within the sector.

The minerals sector spends more on training per employee than most industry sectors and significantly more than the national average, with the overwhelming majority of training being privately funded.

In reality, around five per cent of the minerals industry workforce is either a trainee or apprentice with many more undertaking training that is not part of a formal qualification.

Recent work by NCVET for the Minerals Council of Australia shows that the minerals sector spends around 5.5 per cent of payroll on training<sup>1</sup>, well above government benchmarks such as the 1 per cent training benchmark required to hire 457 visa workers.

The industry, however, does not want a return to the days of predominantly provider-centric training, including time-based approaches. While regulatory, inputs-based approaches have their place, the industry favours a model that encompasses industry-driven, outcomes-based assessments of training.

This paper sets out a practical response to the abovementioned concerns, as well as some suggested approaches.

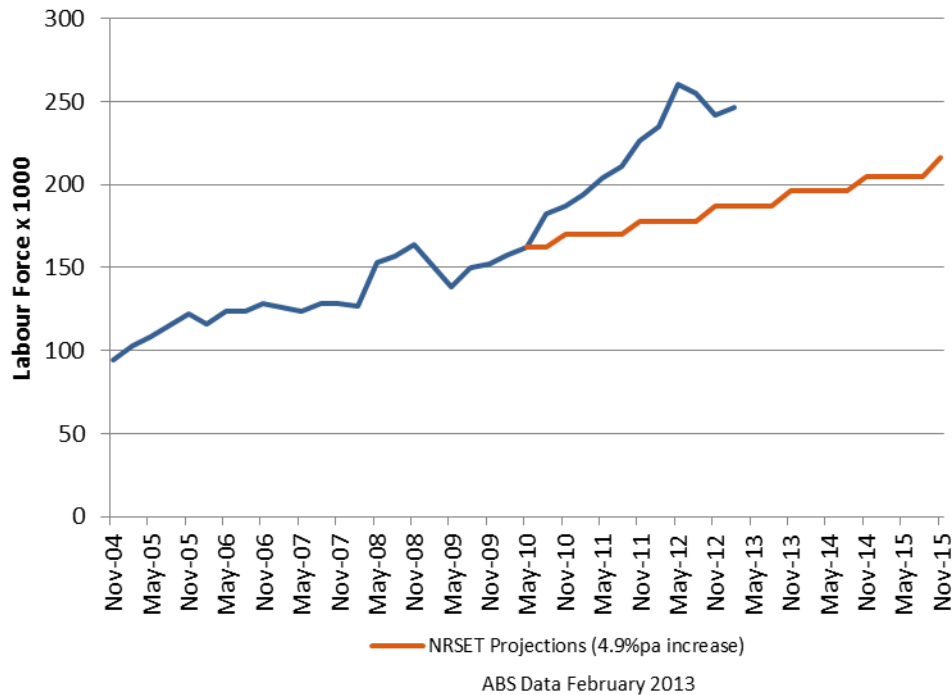
### **Issue – training quality will be driven by employer demand**

#### ***Context: skills versus labour shortages***

The minerals sector has been characterised by skills gaps rather than an overall labour shortage. Many unskilled workers have expressed an interest in joining the minerals sector – however, there is no widespread shortage of unskilled workers in the sector. The National Resources Sector Employment Taskforce Report<sup>2</sup> of June 2010 identified that the resources sector would grow to 216,000 by 2015, or an additional 68,000 workers. That number was exceeded last year (November 2011).

In May 2011, Skills Australia (now the Australian Workforce and Productivity Agency) revised the NRSET projections and forecast that employment in mining operations would grow to 270,600 by 2016<sup>3</sup>. The February Quarter 2013 ABS detailed labour force data showed that around 246,000 persons worked in the minerals sector (ex-oil and gas).

## Minerals Sector (ex oil & gas) Total Labour Force



This result represents an employment increase of 55 per cent over the past three years (Feb 2010 – Feb 2013). Total employment in Australia grew by 5 per cent over the same period. Despite recent shakiness around non-committed investment, the strong pipeline of committed projects will also add to demand for labour – the Bureau of Resources and Energy Economics (BREE) noted continued ongoing substantial project investment, with 87 projects committed or under construction (at a value of \$268 billion).

Completed investment (359 projects, Oct 2003 – Oct 2012)	\$150b
Committed investment (87 projects, committed or under construction)	\$268b
Non-committed investment (277 projects, feasibility and pre-feasibility study stage)	\$425b*
(Source: BREE, Oct 2012, includes oil and gas, *using upper cost estimates for pre-feasibility projects)	

***Skills gaps will be exacerbated by the ageing workforce - quality education, training and retraining will be even more vital...***

Currently, 4.1 million Australians do not have a post-school qualification (Certificate III level), including a large number of those in the struggling manufacturing sector. The Prime Minister's March 2012 skills package `Skills for All Australians' rightly identifies this as an issue that needs addressing<sup>4</sup>.

The 2006 Adult Literacy and Life Skills Survey (ALLS)<sup>5</sup> revealed that Australian language, literacy and numeracy levels have shown little improvement in the decade since the 1996 International Adult Literacy Survey (IALS). It found that:

- approximately 7 million Australians (46 per cent) had literacy scores below the minimum level needed to function fully in life and work
- approximately 7.9 million (53 per cent) had numeracy scores below the minimum needed.



The Australian National Workforce Literacy Project conducted by AiGroup<sup>6</sup> found that more than 75% of employers reported being affected by low levels of language, literacy and numeracy. The impacts on business operations included time-wasting through repeated work and workplace errors.

Baby Boomers (born between 1946 and 1964) reached the official retirement age of 65 in 2011 and will be retiring in record numbers over the next decade. While they comprised 36 per cent of the workforce in 2010, they will make up just 15 per cent in 2020. The NRSET Taskforce Report (2010) estimated that there would be around 16,000 persons retiring from or leaving the mining sector between 2010 and 2015.

Given the strong demand for mining products and relatively high world prices for key commodities, the minerals sector has been able to attract skilled workers through higher wages and salaries. The minerals sector has a relatively well qualified workforce. More than one third of employees (34 per cent) have attained a Certificate III/IV level qualification or equivalent – nearly twice the all-industry average of 18 per cent.

However, global economic factors have driven commodity prices down to their long-term trend levels, while onshore economic and policy factors have driven the sector in to a higher cost environment, which will impact on international investment attraction and competitiveness. Even in one of our strongest commodities, iron ore, we are losing both our operating and capital cost advantage for all but the best Pilbara developments, while Queensland coal is now at the top of the global cost curve.

### ***Quality teaching and learning outcomes are inextricably linked to productivity and higher real wages...***

Real wages also increase with the productivity associated with quality learning. The Productivity Commission recently found that the literacy and numeracy skills increasing from Certificate level 1 (low) to level 3 (that deemed to be required for an individual to function effectively in a complex environment) is associated with an increase in hourly wage rates of about 30 and 25 per cent for men and women respectively<sup>7</sup>.

For the 4.1 million Australians without a post-school qualification, they could be earning an additional \$400,000 on average over the course of a typical working life if they improved their skills to a Certificate III qualification or higher.

Workers holding a Diploma or Advanced Diploma earn on average around \$200 a week more than those with no post-school qualification<sup>8</sup>.

### ***Education and training spending: quality is more important than quantity***

While Australia's training task in coming years will be a major one, there is no automatic correlation between greater education spending and quality outcomes. Quality is also ensured by other drivers such as client choice, relevance of study and teaching professionalism.

For example, Australia was only one of four countries that recorded a statistically significant decrease in Programme for International School Assessment (PISA) reading scores from 2000 to 2009<sup>9</sup>.



This is despite the fact that Australian school expenditure has increased dramatically. Between 2000 and 2009, real expenditure on education increased by 44%. Korea, for example, spends much less per student than other education systems, yet achieves far better student performance than Australia.

According to a recent Grattan Institute report 'Catching up: learning from the best school systems in East Asia'<sup>10</sup>, much of the outperformance of Australia by Korea, Hong Kong, Singapore and China is a result in part of the intensive training and mentoring (ie. professionalisation) of teachers.

### *Quality depends on flexibility and choice*

The COAG National Partnership Agreement specifies that there are economic rewards for 'improved pay dispersion' in education<sup>11</sup>.

In its recent report into the VET Workforce, the Productivity Commission asserted that each TAFE institute should be able to select the mix of employment arrangements, supported by contemporary human resource management practices that best suit its business goals<sup>12</sup>.

This should include industrial relations settings that offer more flexibility, by removing caps on the use of casual staff and prescriptive hours to be worked and freeing up undifferentiated wages and conditions. A regular complaint from remotely-based mining companies and contractors is the lack of availability of hours-capped TAFE trainers to travel to and work on site.

If TAFEs could set trainer and assessor wages to better reflect wages paid in industry, they would be able to offer higher wages to those in high-demand areas (eg. mining, building, construction, electrical engineering), funded in part through lower payments to those in areas where vacancies are easily filled.

From the Productivity Commission's analysis, performance assessments in TAFEs appear to be limited to determining sanctions for non-performance of duties, rather than rewarding outstanding performance. Salary progression is mostly based on seniority and, to a lesser extent, qualifications, without any reference to effort, industry currency, satisfaction ratings or student or client outcomes.

For a recent in-depth industry-led perspective into the challenges and reform of VET at a state level, the Queensland Skills and Training Taskforce Report November 2012 (<http://training.qld.gov.au/resources/industry/pdf/final-report.pdf>), provides many insights into positioning the VET and TAFE systems to be fit-for-purpose and sustainable. The report builds on a range of reviews over the years now commissioned under both sides of Government, the issues and findings of which are remarkably consistent.



### *Are teachers a workforce or a profession? How third-party intervention is a brake on quality and productivity...*

The concept of “differentiated wages” is opposed by the education (including TAFE) unions and their allies who propose the concept of “comparative wage justice” – the same wages for the same role.

It is often observed that society says it values its teachers (school, TAFE, university) but pays them inadequately.

The Australian teaching profession (including TAFE) could be more highly paid - not necessarily by means of across-the-board wage rises, as demanded by teacher unions - but via reward for improved performance and productivity.

In short, teachers need to be treated, and see themselves, as a profession rather than a workforce.

### *Employers are the key driver of effective, quality training*

For many years, the publicly funded Vocational Education and Training (VET) sector has largely failed to meet the needs of the minerals industry. MCA has consistently advocated for reform of the VET sector as we believe that to make an optimum contribution to the Australian economy, the VET sector must be industry-led and responsive to the needs of industry.

Progress towards a demand-driven VET sector is acknowledged, though concerns continue to surround the variable quality of training outcomes within the sector.

Apprentice-trained employees, for example, are quite transferrable between employers because employers have confidence in the qualifications. This is partly because the apprentice spends most of their time being trained on-site. Non-apprentice VET qualifications tend not to be as readily accepted in the minerals sector and often those presenting with such qualifications have to be extensively retrained on site. Safety is a key factor here. Mine managers are held legally responsible for the safety of their mines and rigorous on-the-job training is a defence of due diligence.

Mining enterprises deliver the majority of their training and assessment using their own staff. In these cases, supervisors are also qualified as trainers and assessors who work alongside the learners, ensuring that training and assessment happens consistently in a real life, real time work environment. This ensures that training is delivered with minimal disruption to production and the enterprise has complete control over quality, whether the company is an RTO or not.

Training reforms nationally and in the states have commendably tried to address the issue of provider-centricity. The main mistake, however, as evidenced in the Victorian reforms of 2009, has been to pass consumer sovereignty to students rather than employers.

Some unscrupulous private providers have taken advantage of the lack of information held by or available to students in the marketplace. This information asymmetry can also reinforce provider-centricity within the TAFE sector, where students are enrolling in courses with little prospect of a job at the end.

As a result, many of the qualifications granted in the VET system are not valued by employers, partially because of the variability between providers. Similarly titled courses can be of vastly different durations (ie. days or years) and provide variable quality outcomes. A longer course is not necessarily a better course – however there have been instances of dollar-driven RTOs insisting on shorter timelines, against industry’s wishes, to the point of adversely affecting quality.



### ***Genuine government/employer partnerships will drive quality training for real jobs***

Vocational training should be focused upon gaining a particular skill or set of skills for employment.

Unemployment is never solved by supply-side solutions – quality training always has a job or an employable skill as its aim, which in turn is dependent on employer demand.

The Productivity Commission notes that genuine partnerships between employers and VET providers often delivered desired results, and found that the gains from such partnerships for employers included an enhanced capacity to focus on their core business and to deal with a skill shortage. One example cited was the successful training of indigenous workers in an alliance between BHP Billiton, Macmahons and Pilbara TAFE.

The National Workforce Development Fund (NWDF), where employers control a portion of training monies to spend according to their skills priorities, has proved popular with the mining and other industry sectors.

The former Minister for Tertiary Education, Skills, Science and Research, Senator Chris Evans, said of the NWDF:

*"Putting industry at the heart of the system means we are not training people for training sake – we are training people for jobs. This is a fundamental difference from the traditional supply side system where an individual selects the training package they want... This fundamental reform ensures the Government is training people in the skills that employers want and the economy needs"<sup>14</sup>.*

As such, consumer sovereignty in the training market should be weighted more towards the employer to ensure more job-centred quality outcomes. Most VET funding, however, is supplied by State Governments direct to the training provider.

Employer sovereignty will be particularly important as structural change continues to impact the economy – meaningful retraining, for example from manufacturing to mining, will require a job at its conclusion.

An employer-driven training system will ensure increased quality and better value for the training dollar, for governments, employers and students.



## **Solutions – Managing VET Quality with an Outputs-based Approach**

The industry's Skills Council, SkillsDMC, with the support of the MCA and the state bodies (ORC, CMEWA), has developed draft criteria and ratings for VET delivery for the minerals industry, which would introduce an added element of market discipline beyond that which our companies already exercise in the market.

### ***Good Practice VET Provider Criteria/Performance Standards***

Quality control at the beginning of the training sourcing process could be assisted by a one-page Good Practice VET Provider Criteria, which would set out a standard of training provision employers would be comfortable with and expect, for example:

- Quality - of trainers and training materials
- Delivery – flexibility in delivery of training; industry standard facilities and equipment
- Costs – realistic, competitive costing
- Punctuality – timely and efficient delivery and assessment
- Relevance – thorough knowledge of client's key business drivers
- Rigour – quality of assessment
- Communication – with industry clients; student support

### ***Testimonials – Endorsed VET Training***

It is proposed that the second plank of such a ratings system would be the use of testimonials describing Endorsed VET Training, outlining training excellence demonstrated by training providers.

This testimonial would not be an endorsement of the training provider itself but of a specific piece of work performed for an industry client.

It has proposed that a one-page template set of Good Practice VET Provider Criteria and one-paragraph template testimonial be produced for circulation to industry.

This model could be easily replicated across all industry sectors.





## Conclusions

Despite the clarity of industry's requirements, the operation for over a decade of the Australian Quality Training Framework in its various guises has been focused on supply side operations and processes. Industry's concerns are about the outcomes, which have not improved greatly over the years. Current outputs from the Vocational Education and Training system can be inconsistent and vary greatly in quality and job relevance.

Any examination of VET Quality must recognise that industry is the key arbiter of the required skills, knowledge and competencies required to operate effectively in the workplace.

Reform of VET and TAFE will require political will and a bipartisan approach nationally and with the states and industry, if the system is to become more relevant to individuals and industry. A worst case scenario would be one that encouraged a lack of innovation and market relevance, with the provision of outdated and irrelevant services and practices consuming scarce public resources in a dynamically changing economy.

Yours sincerely

**Chris James**  
Assistant Director – Workforce Skills



## Endnotes

- <sup>1</sup> 'Training and education activity in the minerals sector', NCVET, April 2013
- <sup>2</sup> 'Resourcing the Future', National Resources Sector Employment Taskforce Report, Commonwealth of Australia, July 2010
- <sup>3</sup> 'Skills shortages in the resources sector, Skills Australia (Deloitte Access Economics), May 2011
- <sup>4</sup> 'Skills for All Australians', Commonwealth of Australia, March 2012
- <sup>5</sup> Adult Literacy and Life Skills Survey (ALLS), Australian Bureau of Statistics, November 2007
- <sup>6</sup> 'National Workforce Literacy Project – Report on Employers Views on Workplace Literacy and Numeracy Skills, Australian Industry Group, May 2010
- <sup>7</sup> 'Vocational Education and Training Workforce', Productivity Commission Research Report', Productivity Commission, April 2011
- <sup>8</sup> 'Vocational Education and Training Workforce', Productivity Commission Research Report', Productivity Commission, April 2011
- <sup>9</sup> 'Catching up: learning from the best school systems in East Asia', Grattan Institute, February 2012
- <sup>10</sup> 'Catching up: learning from the best school systems in East Asia', Grattan Institute, February 2012
- <sup>11</sup> National Partnership Agreement on Improving Teacher Quality Performance report for 2011, Report to Council of Australian Governments, COAG Reform Council, 2012
- <sup>12</sup> Vocational Education and Training Workforce', Productivity Commission Research Report, Productivity Commission, 2011
- <sup>13</sup> 'Resourcing the Future', National Resources Sector Employment Taskforce Report, Commonwealth of Australia, July 2010
- <sup>14</sup> 'Industry driven system to tackle Australia's skills challenges', press release from Senator the Hon Chris Evans, (former) Minister for Tertiary Education, Skills, Science and Research, Commonwealth of Australia, June 2012