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SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON EDUCATION AND EMPLOYMENT

Inquiry into role of the TAFE system and its operation

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

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CONTENTS

1.0 OVERVIEW.....	4
2.0 EMPLOYER ISSUES AND PROBLEMS WITH THE OPERATION OF THE TAFE SECTOR.....	6
3.0 A FRAMEWORK FOR THE PATH FORWARD: RECOMMENDATIONS.....	11
4.0 CONCLUSION	14

SUBMISSION – HOUSE OF REPRESENTATIVES STANDING INQUIRY INTO THE ROLE OF THE TAFE SYSTEM AND ITS OPERATION

1. OVERVIEW

- 1.1** The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to make a submission into the Committee’s inquiry into the role of the TAFE system in Australia and its operation.
- 1.2** We note that the Australian Chamber of Commerce and Industry will make a submission focussing on nation-wide issues. This submission will provide an overview of how Queensland employers interact with the TAFE and broader vocational education and training (VET) system at the state level, and will provide a similar set of messages to those provided to the Queensland Skills and Training Taskforce’s inquiry into the Queensland VET sector late last year. Indeed, it is sensible that any discussion of the role and operation of TAFE should be in the context of the broader aims, role and operation of the VET sector generally.
- 1.3** As Queensland’s peak industry body, we want to work with all levels of Government to achieve the best possible outcomes for employers in this state. There is much more to be done to realise the potential of the VET sector to enable Queenslanders to make a significant contribution to our economy. In particular, the sector lacks employer relevance and flexibility and has variable levels of quality and accessibility. Moreover, employers believe that the sector has become a tool for promoting and advocating social outcomes, and thus does not meet employer needs.
- 1.4** CCIQ believes that the Queensland VET sector can directly support economic growth, productivity and industry competitiveness if it provides the skilled workforce required by business. TAFE Queensland, as Queensland’s largest public provider of VET, can have a key role in this. It is therefore our position that the VET sector, and therefore TAFE, must be better geared to prepare users for jobs in our state’s major current and emerging industries.
- 1.5** Accordingly, it must shift to a demand-driven, industry-led market, under which close consultation with industry will serve to identify key occupations and skills. This will, in turn, require a transition to a system of contestable funding, to ensure that funds are directed to higher priority skill areas, particular in occupations that have a strong link and reliance on VET pathways. While this will result in significant changes to the funding models currently employed by TAFE Queensland, we make no apology for this: a number of reviews have concluded that TAFE Queensland should move to more commercial arrangements to increase competition in the VET market in Queensland. This includes the final report of the Skills and Training Taskforce, released in late 2012.
- 1.6** In bringing the focus of the VET sector back to its largest end-users – employers - Queensland’s VET sector must be tailored to suit the conditions unique to Queensland, namely, our patchwork economy, and the corollary problems of skills shortages, labour mobility and low workforce participation in particular demographics.

- 1.7** While the resources industry has brought significant economic prosperity to Queensland, it has also brought about or exacerbated significant skills shortages in central and northern Queensland. CCIQ considers that addressing these issues should be a guiding focus for reforms to the VET sector. There is much that can be done in this respect, including the deregulation of VET decision-making to these areas. However, it must be acknowledged that the underrepresentation of women, mature-aged persons, people with a disability and Indigenous Australians undertaking apprenticeships in Queensland demonstrates a clear need for the provision of incentives to employers.
- 1.8** The sector is ill-equipped to address emerging and future pressures on it and the broader Queensland economy. While the resources, engineering, construction and health services sectors are experiencing strong growth, others, including retail, agriculture and manufacturing are not. When this is combined with the reality of a rapidly ageing population, and therefore an ageing workforce, it is evident that that our VET sector must be dynamic and responsive in its capacity to provide training and skills development in a wide range of sectors to a broad demographic.
- 1.9** In addition to improving the quality and value of the VET sector, it is also necessary to better its useability and accessibility. This not only applies with respect to student access to VET, in terms of providing better accessibility, guidance, and pathways from vocational to higher education, but to the level of direct engagement that the Government has with employers with respect to VET initiatives, information and available government funding. While CCIQ is cognisant of the fiscal constraints on the Queensland and Federal Governments right now, we consider that this should serve as greater impetus for ensuring that funds are being used in the most effective and innovative manner. There are also cost-neutral measures that could be put in place to achieve more cohesiveness and better quality engagement in the sector.
- 1.10** In advocating an employer-centric system, we recognise that it is important to reflect on and learn from the experience of other jurisdictions in making this transition. While we seek to follow Victoria in its recent shift to a fully contestable VET sector, it became evident from those reforms that an entitlement-based, demand driven scheme without appropriate oversight to ensure pathways between courses and employment can lead to cost blowouts, serious quality issues, and a failure to link newly attained skills with jobs.
- 1.11** The purpose of this submission is to highlight those problems in the VET sector that have led it to decline in relevance to employers, and offer a path forward. Therefore, we have separated the body of our submission into two parts: Section 2 sets out the current and emerging issues and problems that employers have encountered in the Queensland VET sector, whilst Section 3 sets out a framework around short, medium and long-term recommendations that should provide a clear structure for transitioning the sector through these important reforms.

2. EMPLOYER ISSUES AND PROBLEMS WITH THE VET SECTOR

While there is activity at both the state and federal levels to reform the VET sector, the Queensland business community continues to confront issues and problems with various elements of the sector, leading to significant levels of employer disengagement. The reasons for this include the operation of funding models that preclude flexibility and responsiveness to the needs of employers with respect to skills sets and course content; accessibility difficulties for employers operating in regional settings; doubts over the quality and value-for-money of skills and training delivered by Queensland's largest public provider, TAFE Queensland; and inadequate messaging from the sector on the importance of skills. The VET sector must be better aligned with the requirements of employers, and the reality of Queensland's patchwork economy.

2.1 RELEVANCE TO INDUSTRY

The business community is one of the main end users of the VET system, and it is therefore essential and appropriate that it has a significant role in ensuring that its skills needs are communicated to government and to registered training organisations (RTOs). However, industry participation in VET in Queensland is low, with a CCIQ Education and Training Survey showing that nearly 70 per cent of small businesses are not currently involved in vocational training. Given the importance of employer understanding and support of the essential nature of skills development, the reasons for this lack of participation must be identified and addressed.

2.1.1 FUNDING

Industry in Queensland already makes very substantial financial and non-financial investments in VET, demonstrating the willingness of employers to contribute to the cost of training that they deem valuable to their organisation. Government funding of VET must be made on the same basis: it must be directed to areas of priority to those providers who can best deliver the training. This is currently not the case, as much of the money allocated to the VET sector is reserved for supply-driven funding arrangements, so that the majority of it goes to centralised purchasing and TAFE. Indeed, less than 30 per cent of training undertaken in businesses that participated in a CCIQ Education and Training Survey was government funded or subsidised: this is generally because the training employers require is not eligible for government funding, or that the government subsidised training available was not practical, suitable or preferred.

CCIQ believes that the best vocational training is best delivered via a contestable market, and that much of TAFE's role could be performed by private organisations. The dearth of employer confidence in the VET system is the direct result of an absence of client focus that, in turn, is a product of the lack of competition for funding. While TAFE has filled vacancies in difficult VET markets where private training providers have been unwilling to enter, particularly in regional Queensland, the rigid and centralised funding model has operated to entrench TAFE as the sole provider in some areas, even when improved conditions mean that new operators would be welcomed by the community. As a result, employers often need to send employees to non-local training institutions at their own expense, as the current funding model does not allocate funding where employers opt out of their local TAFE option.

2.1.2 QUALITY, FLEXIBILITY AND RESPONSIVENESS

Employers report that they have major concerns about the quality of courses that are delivered through public providers, particularly TAFE Queensland. Indeed, even in ‘thin markets’ where TAFE is the sole provider, we have received reports from employers advising that the quality of TAFE courses are poor or inconsistent; that insufficient communication with employers prevents them from tailoring on-the-job work to their course work at TAFE; and that complex administrative requirements, including excessive and unnecessary paperwork, are burdensome and serve as a disincentive to placing employees in TAFE courses.

The sector as a whole is slow to respond to the needs of business, with the emergence of new speciality industries and skill sets not being supported by a corollary development of courses that would train new entrants to these roles. This is symptomatic of funding models that do not allow or encourage flexibility or responsiveness in training providers. Private providers and industry training organisations, which are better placed to tailor programs directly to the needs of industry, do not currently receive sufficient funding to deliver training in these new specialities and skill sets on the scale required. This lack of flexibility and responsiveness in the sector is particularly evident in regional areas, where only a limited set of courses are offered: the centralised nature of VET decision-making operates to preclude input from regional employers on how their skills needs could be furthered through course content.

2.1.3 INFORMATION AND ACCESSIBILITY

The VET sector needs to be better at selling to employers the value of participating in accredited skills development and training. There are a lack of direct channels of communication between sector representatives and industry. As a consequence, employers are not aware of the need to identify and address the skills needs of their business, or they choose to provide only ‘in-house’ training, which, while valuable, lacks accreditation.

In encouraging employers to partake in VET, it follows that doing so must be made more accessible for those employers operating in regional and rural areas. This goes beyond the establishment of a local TAFE: quality issues aside, these institutions often do not deliver courses that meet the skills needs of a given area, or are logistically impractical for employers in rural and remote areas. There is a need for greater utilisation of technology for remote training delivery, as well as for more funding of the travel costs associated with sending staff to RTOs in other regions.

In general, employers tell us that there is a lack of direct communication and engagement with them from both government and training providers, and confusion about points of contact for employer inquiries about various VET related matters. We have also found that Queensland businesses are unaware of the majority of Queensland and Commonwealth Government engagement strategies and activities. While there is a significant amount of funding available at the federal level to fund VET initiatives in business, many small and medium enterprises either do not know about it or how to

access it; would like to apply for this funding but consider that doing so would be too difficult, or find that co-contributions required are too high.

2.2 QUEENSLAND'S PATCHWORK ECONOMY

Skills shortages and poor labour mobility are endemic to certain areas of regional and remote Queensland. Given that 55 per cent of Queenslanders live outside of Brisbane, this state of affairs is concerning for employers seeking to employ skilled staff. Whilst the severity of skills shortages has eased over recent years due to the global financial crisis and economic slowdown, the underlying drivers of skills shortages continues to exist. Accordingly, it is almost certain that skills shortages will remain a significant barrier to business growth and productivity if some of the issues with the VET sector are not addressed.

2.2.1 EMPLOYEE RETENTION

CCIQ has received numerous reports from employers who have made significant financial and non-financial investments in training employees, only for the employee to leave their role on completing that training to work in the resources sector. While CCIQ recognises the need to ensure that there is an adequate supply of skilled workers to fulfil the needs of the resources in industry in Queensland, government initiatives aimed at this outcome should place greater responsibility on the resources sector to train staff themselves. It is unacceptable that large mining companies are appropriating the benefits of investments made in training and skills by small and medium enterprises (SMEs), and it forces SMEs to pursue non-accredited training intended to stop employees 'jumping ship'. This is concerning, as it means that employers, particularly small business owners, will be less likely to hire apprentices, which are often targeted by the resources sector.

2.2.2 COMPETITION WITH THE RESOURCES SECTOR

Another problem that industries outside the resources sector face in Queensland is the competition the resources sector poses when it comes to recruiting staff. Other sectors and industries are generally unable to compete with the resources sector on wages and conditions, which the latter uses to encourage workers to relocate to regional and remote areas of Queensland. There clearly need to be complementary initiatives that are designed at encouraging skilled workers to relocate to regional areas. Further, skill priority lists that have been developed by both state and federal governments to identify professions that are 'in need' and high priority are often focused *only* on the skills needs of the resources sector, without proper consideration of skills needs outside of the sector.

2.2.3 NON-MINING CAREER PATHS

The resources industry has come to be widely perceived as offering an easy route to a high-income position. This perception is particularly attractive to young people, who often then discount the value of other career pathways outside of the resources sector. Given the finite nature of the resources boom, there must be more guidance for school-

leavers and young adults about the varied career options available in Queensland. Currently, career development and guidance services in schools, TAFEs and RTOs receive very low levels of funding, and it is questionable whether young people living in south-east Queensland are aware of current or emerging industries in regional and remote areas of Queensland.

2.3 CHANGES TO THE WORKFORCE

2.3.1 CHANGING POPULATION

Over the next 25 years, the proportion of the population aged over 50, that is, those approaching the traditional retirement age, is expected to grow by 67 per cent. This may be contrasted with those in the 20-49 group, comprised of new and existing entrants to the workforce, and which is expected to grow by only 36.5%. While people are staying in the workforce longer, we also know that people are constantly changing careers during their working lives: this will only increase in the future as various industries change and evolve. However, if an awareness of these facts, and a strategy for addressing them, is not built into VET sector planning in Queensland, unemployment will rise and workforce participation will decrease as those who have generally more difficulty entering or re-entering the workforce – women with children, people with disabilities, the long term unemployed and Indigenous people – are locked out of jobs requiring a higher level of skill.

2.3.2 WORKFORCE PARTICIPATION

The fact of our ageing population will have significant implications for the Queensland Government's goal of reaching 10,000 new apprentices over the next six years: currently, the majority of apprentices and trainees employed in Queensland are school leavers and mid-career workers. By contrast, women and mature-aged workers are significantly underrepresented in apprenticeships. While many are employed in traineeships, these are often at lower level qualifications and thus do not meet targets for higher level skills. More needs to be done to encourage underrepresented groups to undertake training and skills development. However, the means of doing this must be consistent with the goal of making the VET sector employer-relevant: large tracts of public money should not be spent on skilling people for low priority pathways. Rather, the impetus must be on providing pathways to higher level skills and incentivising employers to provide on-the job training

2.3.3 REGULATORY BURDEN

Given employer dissatisfaction with the VET sector, there should not be further disincentives for those wishing to participate in VET within its regulatory regime. Employers seeking information and support within the existing system are confronted with a complex, bureaucratic system that is extremely difficult to navigate. If we are serious about wanting to increase our skilled workforce, the disincentives to employers choosing to participate in VET and apprenticeships must be removed or reduced. Currently, not enough is being done to demonstrate to employers that partaking in VET will yield sufficiently worthwhile results to justify the increased administrative and

compliance costs that come with it. Moreover, there is currently little provision in VET funding models to facilitate training within workplaces that is recognised and accredited.

2.4 CHANGING ECONOMIC BASE

2.4.1 FOCUS ON RE-SKILLING

The economic inequality that characterises different areas of Queensland – with some areas experiencing significant skills shortages and tight labour market conditions, and others increased unemployment and high rates of skills underutilisation – is expected to continue as major coal and liquefied natural gas (LNG) projects add to the dominance of the resources sector in Queensland. By contrast, other industries, such as manufacturing and agriculture, have felt the effects of economic shifts both in Australian and globally.

However, *we know* that LNG is likely to be a major future industry in Queensland, just as we know that other industries are facing significant difficulties, and we can plan for both eventualities. Section 2.3.1 referred to the increasing tendency of people to change careers multiple times during their working lives. This can occur through personal choice or through structural change. Therefore, the VET sector must be capable of a dual focus, on both skilling and re-skilling, to ensure that there are no barriers to re-entry of the workforce. This goes to the importance of engaging with employers to assist them in undertaking detailed workforce planning: that is, supporting employers to develop workforce planning practices that clearly articulate what skills they will need to achieve their business objectives, how they will acquire these skills, and how they will use them once they are sourced. It is particularly crucial that businesses in workplaces that are likely to be exposed, or even more exposed, to skills shortages in coming years are aware of the importance of planning activities.

3. A FRAMEWORK FOR THE PATH FORWARD: RECOMMENDATIONS

3.1 LONG TERM REFORM GOAL: MOVE TO AN INDUSTRY LED, DEMAND DRIVEN SKILLS MARKET

A demand driven, industry-led skills market with fully contestable funding should be the end goal of reforms to the VET sector in Queensland, and can occur in a staged manner designed to ensure smooth implementation. Making this move is a whole-of-sector shift that requires:

- An affirmation of the role of industry as the primary end-users of the VET sector;
- Putting in place a fully contestable funding model. This should also require TAFEs in sustainable markets moving to commercial business models or withdrawing from those markets;
- Ensuring that there is an adequate focus on the exigent needs of regional and remote Queensland, including decentralising VET decision-making in Queensland to regional skills authorities;
- Implementing the Queensland Training Guarantee (QTG). CCIQ strongly supports the QTG on the basis that it would allow students to access their entitlement through an eligible public or private provider; and
- Establishing an appropriate mechanism responsible for addressing quality issues and provider regulation in the VET sector.

These changes are substantial, and implementation may need to be incremental in order to ensure that they are targeted and to address any unexpected difficulties that may result. However, there are a number of measures that can and should be undertaken in the short and medium terms directed at improvements capable of being made now. These will also lay the foundations for the move to a fully contestable system.

3.2 SHORT AND MEDIUM TERM GOALS: BUILDING THE FOUNDATIONS FOR REFORM

We have set out below a number of recommendations that can be implemented now, or in the near future, to start the process toward reform.

3.2.1 FUNDING

- **Start moving toward a contestable model of funding:** TAFE must move to a genuinely contestable model of funding whereby they compete for funding with private providers of training and skills development. This will incentivise public providers to improve the quality of their courses and encourage them to be more responsive to the needs of employers. This will also allow industry training organisations, which work extremely closely with business to determine their skills needs, to deliver training on a broader scale.
- **Limit the availability of non-contestable funding:** Limit non-contestable funding for TAFE to those areas where it has a clear community service obligation or there has been a market failure. This funding should be provided on the basis that clear Key Performance Indicators are met, with a medium to long-term view of phasing out non-contestable funding as new providers enter the market. TAFEs operating in

sustainable markets should move to commercial models of operation, or withdraw from the market.

- **Keep TAFE client-focused in thin markets:** Establish better linkages between employers in regional and remote areas and their 'local' TAFE to ensure that TAFEs are cognisant of the skill priorities and employment needs of those employers. This is consistent with the decentralisation of VET decision-making and an enhanced focus on workforce planning.

3.2.2 REGIONAL QUEENSLAND

- **Decentralise aspects of VET decision-making to regional areas of Queensland:** Local skills authorities should be empowered to make recommendations about: the skill sets and training on offer; and the providers eligible to provide training under the QTG.
- **Introduce other complementary measures:** Additional measures designed at attracting skilled workers to regional and remote areas of Queensland should be considered, including: working with local government to promote the 'liveability' of Queensland's regions; and establishing better linkages between regional employers, RTOs and communities (for example, school-business partnership brokers may be able to achieve this outcome – refer to 3.2.4), including RTOs hosting online 'regional jobs boards' that their students can access.

3.2.3 INFORMATION AND ACCESSIBILITY

- **Offer targeted employer incentives:** Financial incentives should be available for businesses and industries that employ and train those from demographics of people who are currently underrepresented in the workforce.
- **Cut regulation and reduce compliance costs:** In order to arrest the decline in apprenticeship commencements, we need to move to a regulatory regime for apprenticeships that removes unnecessary red-tape and reduces compliance costs, thus removing disincentives for employers taking on an apprentice.
- **Provide for greater recognition of and funding for training within workplaces:** Funding models should be made more flexible to facilitate greater provision of in-house training and encourage industry and regional partnerships for training provisions.
- **Establish employer engagement strategies:** This could include representatives from the VET sector working with industry to identify opportunities for training, as well as to provide support and information; better promotion of Queensland Government engagement strategies; and the establishment of a 'one-stop shop' for employers seeking information on funding for VET in their workplace.
- **Make income support for VET more readily available:** The Queensland Government should work with its Commonwealth counterpart to broaden the availability of the

VET FEE-HELP scheme to a wider range of courses and providers, although income support should be tied to courses that provide high priority skills or which have defined pathways to higher level skills development. This will assist those for whom the cost of VET courses is a significant barrier to entry.

3.2.4 SKILLS SHORTAGES, RE-SKILLING AND WORKFORCE PARTICIPATION

- **Better support for workforce planning practices:** Businesses should be encouraged to take proactive steps that will ensure that they will have the skilled workers they need to remain competitive in the future. Small businesses in particular should therefore receive assistance in putting these plans in place.
- **Mechanisms that allow and encourage businesses to promote training as a point of difference:** An 'Employer Excellence in Training' scheme should be introduced to recognise and reward employer commitment to quality training outcomes. This would provide public recognition and opportunities for businesses to differentiate themselves in the market, particularly in regional and remote communities where competing with the resources sector on wages and conditions is not possible.
- **Make better use of existing programs designed to improve workforce participation:** There are a number of programs already funded by both state and federal governments designed at developing strategic partnerships between business and communities to foster jobs and skills growth. The Partnership Brokers Program involves around 300 such partnerships in Queensland designed to support young people, Indigenous people, people from a low socio-economic background and people living in remote and rural areas.

4.0 CONCLUSION

The issues and problems that we have raised on behalf of employers are not new. As such, there is no time left for complacency in the Queensland VET sector when it comes to the need for reform. In this submission, we have presented what we believe is the most compelling case for change, particularly with respect to TAFE as the major public provider of VET. The sector, as it currently operates, does not fulfil its purpose of preparing people for jobs that exist, or will exist, in Queensland. However, we are confident that the framework of recommendations that we have developed provides a clear and workable path for positive reform of TAFE system and the VET sector more broadly.