

Linking TAFE Skills Training to Employment Outcomes:

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A submission to the Inquiry into the role of Technical and Further Education system and its operation by the Standing Committee on Education and Employment, House of Representatives, Parliament of Australia

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The focus of this submission is on the need for the TAFE system to link its skills training to employment outcomes. The large increase in the number of temporary skilled migrants and shift in their occupational profile to the trades is evidence that the TAFE system needs to do much more to supply the skills that have traditionally been its focus.

Overview

Four steps are proposed to link skills training to employment outcomes. The first step is the need for TAFE Institutes to collect and make public information on employment outcomes of TAFE courses at the Institute level. The second step is for state governments as funders of skills training to provide incentives for training providers to report on and improve over time the employment outcomes of their skills training. The third step is for governments to fund the collection and publication on the web of information for regional and sectoral labour markets on the employment outcomes of TAFE skills training. Also made public should be local area information on employer requests for sponsored migrants, temporary and permanent. The fourth step for TAFE Institutes to form partnerships with labour market intermediaries such as Group Training Companies to place and keep TAFE graduates in jobs matched to the skills in demand on local labour markets. This initiatives could be funded by a training levy paid by employers of 457 visa holders.

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The value of good and up-to-date labour market information

A key purpose of labour market information is to provide information to training institutions and individuals making career decisions about how best to match skills to jobs. Compiling and analysing labour market information should not be viewed only as an exercise in central planning or in providing the basis for top-down directives from central coordinating agencies

to training providers. Highly centralised systems of planning and resource allocation have a number of limitations. These include being too far removed from where actual decisions related to the supply and demand for skills are made.

People need good information about the availability of jobs and the demand for skills to make informed decisions. Many education and training choices often involve large investments and long lead times.¹

Without good information on employment outcomes matched to skills and wage levels, labour markets cannot function in an efficient way in a number of areas. Young people have little incentive to invest in a long period of career preparation if they do not know the tangible benefits. Jobseekers, without good information, face long delays trying to find a job that matches their skills.

It is worth noting that the approval process for 457 visas does not include any assessment of occupational demand in local labour markets.²

Provision of timely and appropriate labour market information needs to be part of a wider demand-focused strategy for TAFE. The provision of information about graduate outcomes by TAFE needs to be funded by government as a public good. Graduate tracer surveys of specific training programs need to be conducted at the TAFE Institute level. The responsibility for collecting, analysing and disseminating these results also needs to be worked out so the results are robust and not biased to successful outcomes.

Weak links between skills training and the demand for skills

The main reason employers give for experiencing difficulties in recruiting staff is a shortage of skilled people, according to the National Centre for Vocational Research (NCVER) employer surveys. It is far ahead of other reasons for recruitment difficulties such as remote location or wages considered too low or uncertain.

The migration system has changed to a demand-led system where employers select the person they want to employ. This is done increasingly through a temporary visa first. The other notable change is the occupational profile of temporary visa holders. Initially the occupations of these visa holders were managers and professionals. Now, the profile has changed more to trade- based occupations such as chef, cook, welder, metal fabricator and motor mechanic.³ These are the core skills TAFE has traditionally supplied to the Australian economy.

¹ Woods, James F., and Christopher J. O'Leary. 2006. "Conceptual Framework for an Optimal Labour Market Information System: Final Report." Upjohn Institute Technical Report No. 07-022. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. http://research.upjohn.org/up_technicalreports/22

² See Bob Birrell and Ernest Healy, 2012, Immigration Overshoot. CPUR Research Report, Centre for Population and Urban Research, Monash University, November, p 31-32; Joo-Cheong Tham and Iain Campbell, 2011, 'Temporary Migrant Labour In Australia: The 457 Visa Scheme and Challenges for Labour Regulation' Centre for Employment and Labour Relations Law The University of Melbourne Working Paper No. 50, March, p 19-23.

³ P Toner and R Woolley, 'Temporary Migration and Skills Formation in the Trades: A Provisional Assessment' (2008) 16 People and Place 47, cited in Joo-Cheong Tham and Iain Campbell, 2011, 'Temporary Migrant Labour In Australia: The 457 Visa Scheme and Challenges for Labour Regulation' Centre for Employment and Labour Relations Law The University of Melbourne Working Paper No. 50, March, p 7

Employers do identify their short-term skills needs to government and can sponsor a skilled migrant on a 457 visa to fill this need. Why cannot a similar process be used by training providers and labour market intermediaries such as group training companies to supply these skills from local training providers?

The problem at present is the lack of institutional incentives to do so. Training providers such as TAFE define the demand for skills training in terms of the training individuals want to do. But most individuals lack good information about whether a particular training program will give them the what skills employers want. So many students choose instead training that appeals to them. This is even more so when they do not bear the cost of the training, funded by the government through a training entitlement.

If the demand for publicly funded training is based on uninformed student preferences, the result can be a disaster for state budgets, caused by a blow-out in the numbers undertaking courses which have low employment outcomes. In today's harsh economic climate, state budgets cannot justify funding skills training unless it directly linked to helping employers to grow their businesses.

What is wrong with the available information on skills demand?

State and federal agencies make a huge effort to try to work out what skills are needed now and in the future and to allocate public funds accordingly. However, the effort is top-down and is often wide of the mark. What is lacking is bottom-up information from employers themselves about what skills they need.

Governments need to make some effort to forecast future skills needs, but their focus has to be more for the benefit of those deciding what training to undertake than for central planning purposes. The forecasts should look at broad skills sets and trends rather than the skills needed in specific occupations as they change.

Job seekers need access to a user friendly website where they can find out about labour market outcomes. This refers to their prospects for employment based on the number of jobs in an occupation, rates of labour turnover, wages rates, the nature of the work and the aptitudes required. Also needed is up-to-date information on who is offering relevant training programs and what employment outcomes, skills match and wage rates that past graduates of these programs have achieved.

Step one: the need for TAFE to provide information about employment outcomes

TAFE Institutes need to track and report on their graduates' employment outcomes. The usual way to do this is for training providers to survey their graduates - are they in work, what wage are they earning, is it related to the skills they acquired in their training, and is their training relevant to what they are required to do in their job. These results need to be reported for specific training courses or qualifications in a local labour market so prospective students can make informed choices.

However, TAFE Institutes in Australia do not carry out their own graduate destination surveys. They rely instead on NCVER to do this with its Student Outcomes Survey. This annual survey asks former students about their employment situation, their reasons for doing

the training, and its relevance to their current job. The survey sample is only large enough to provide information on student outcomes for specific TAFE Institutes every second year, due to funding constraints. The larger sample is sufficient for TAFE Institutes to report on the employment outcomes for their larger fields of study.

The NCVET Student Outcomes Survey is a top-down mechanism aimed at assessing system-level performance. It is not suited to provide the sort of specific training program level information about outcomes that prospective students need to make an informed decision about skills training to do and which training provider to do it with.

TAFE Institutes do not release data to the public on the employment outcomes of their graduates at the level of fields of study, specific programs or courses. A search on Google failed to reveal any TAFE Institute which provides this information. A few TAFE Institutes, however, provide data on their employment outcomes for the Institute as a whole. A search on Google for 'employment outcomes of TAFE' and 'TAFE courses employment outcomes' shows that only two TAFE Institutes in Australia provide information on their graduate employment outcomes. Based on the first five pages of results from Google, two media releases report the employment rate of TAFE Institute graduates compared to a state TAFE average. Both of these Institutes are regional, one in Victoria and one in Queensland.

The strategic plan for NSW TAFE 2011-2013 has an objective to 'Improve employment and further study outcomes for our students'. The key performance indicator is: 'Increased number of students in employment or further study after training.' But no target is specified under the heading of 'Performance'; the measure is merely: 'Percentage of TAFE NSW graduates employed or in further study after training'. Nor does such a measure exist as the strategic plan notes that: 'appropriate employment outcomes measure researched identified/developed and implemented by 2013'.

Recommendation 1: TAFE Institutes need to report regularly to their potential market on the employment outcomes of the training programs they offer.

Step Two: Provide incentives for training providers to match students to skills demand

One important reason for the lack of institute and program level information on employment outcomes is the lack of incentives for TAFE Institutes to do so. The public policy challenge is to work out how best to provide this incentive. A recent report from the UK's Social Market Foundation offers a way of doing this through performance-based funding for training providers. Specifically they propose that government pay training providers for two types of results: either (1) increase in wages of the graduate of subsidised training if currently employed or (2) employment rates for graduates of subsidised training who are not in paid work before starting their training course.⁴

The Foundation's report [Britain's Got Talent: Unlocking the demand for skills](#) argues that government's investment in human capital would be far more effective if training providers

⁴ A distinction needs to be made between an employment outcome that is or is not related to a 457 visa as many overseas VET students have chosen their courses to maximise their chances of staying on a temporary or permanent migration. See Bob Birrell and Ernest Healy, 2012, Immigration Overshoot. CPUR Research Report, Centre for Population and Urban Research, Monash University, November, p 19.

were 'liable for the labour market value of the skills delivered'. They contend that providers are well placed to do this because they are embedded in local economies. So it is easy for training providers to approach employers, identify their skill needs and to work out how to supply the skills they need. They can then use this information to encourage candidates to take the courses linked to local employer demand for skills. Their incentive is that at least some of their funding will be dependent on showing that the training has led to improved employment outcomes.

A government's investment in skills training can be more easily justified to the public if its link to lifting productivity can be shown in the form of existing employees's higher wages and job seekers' employment rates. This focus on outcomes will also make training providers more accountable for how well they can deliver the skills that employers value.

Training providers will have to take on some of the financial risk for delivering good labour market outcomes. This proposed arrangement is similar to the system of payment by results used by the Australian Government to allocate funding for placing job seekers in work. The cost to government of providing good information on employment outcomes at TAFE Institute level and the incentive to do so will be a small proportion of the savings to state budgets from training blow-outs.

Another potential outcome measurement is the reduction of the number of 457 Visa holders in the occupation for which skills training is provided. This measure would require the release of local area information on the number of 457 visas by occupation (discussed further below).

Recommendation 2: Government funding for TAFE needs to include a performance bonus based in improved employment and wage outcomes for graduates of its courses.

Step three: link skills training to employer demand for sponsored skilled migrants

A financial incentive payment which links skills training to employment outcomes will not in itself be sufficient. TAFE Institutes need information on the skill needs of employers in local labour markets. They can do this by conducting regular surveys of all enterprises in the labour markets they are serving. This should be funded by government as this information is clearly a public good needed to enable labour markets to function efficiently and effectively.

Matching persons to jobs is a complex process as qualifications are often a poor indicator of skill. Technical knowledge and skill are only one part of what an employer is seeking. Finding the best fit is often a major challenge. Qualifications may be important but are usually only part of identifying whether someone has the skills set an employer needs. Other traits and attitudes, often referred as soft skills, are just as important or in many cases more important than so-called 'hard' skills. This applies more so today with the widespread attainment of post-school qualifications.

The initial baseline survey should collect comprehensive information on each enterprise's occupations (to the ASCO six-digit level) and current training arrangements. The baseline survey also needs to find out about how much importance employers give to formal qualifications for selecting new employees compared with job experience, last employer, motivation and other factors such as availability. Also important is how these ratings vary for

different broad occupational groups and size of enterprises. Do these ratings vary by age of the recruit, ie do young people being recruited for an entry-level position have different criteria applied to them compared with mid-career job seekers?

Recommendation 3: Each TAFE Institute needs to conduct a once-off baseline survey of all enterprises in the markets it is serving.

Beyond the baseline survey, TAFE Institutes would also need to conduct a short telephone survey of all employers every three months to collect information from enterprises about job vacancies by occupation. These surveys should also be funded by state governments as a public good and the information released on the web. These results could form the basis of a 'skills in demand' website based on the local labour market information.

Recommendation 4: Each TAFE Institute needs to follow up the baseline survey with regular short surveys of employers about skills shortages and skills gaps in their workforce.

Incentives for enterprises to take part in the survey will be needed. One incentive could be linked to the approval process for recruiting people on 457 visas. The most recent changes to the requirements for employers in relation to the 457 visa (23 February 2013) include 'strengthening the requirement for sponsors to train Australians by introducing an ongoing and binding requirement to meet training requirements for the duration of their approved sponsorship'.⁵ Employers who want to sponsor skilled migrants could be asked to show evidence that they have participated in the survey on a continuing basis. The Department of Immigration would also need to provide local area information to the proposed local 'skills in demand' website about the occupations of temporary workers on 457 visas.

Recommendation 5: Incentives for employers to respond to the proposed survey by TAFE Institutes should be linked to the conditions required for 457 visa approvals.

Step Four: Encourage TAFE Institutes to form partnerships with labour market intermediaries

TAFE Institutes are not providers of employer services. There are a range of enterprises that specialise in providing these services. The best-known labour market intermediaries in the training market are group training companies. Partnerships between TAFE and group training companies to arrange work placements for students can bridge the gap between classroom training and workplaces and to find relevant employment for TAFE graduates.

Recommendation 6: TAFE Institutes need to form partnerships with labour market intermediaries to maximise their links to workplaces to get improved employment outcomes.

Governments need to establish more direct links between employer use of 457 visas and the provision of skills training. One way to do this is to require employers using 457 visas for occupations that TAFE trains for to pay a levy into a local area training fund. A local committee of employers could direct the money to promote links between the local TAFE

⁵ <http://www.immi.gov.au/skilled/strengthening-integrity-457-program.htm>

provider and workplaces. The funds could also be used to fund performance incentives for TAFE to deliver improved employment outcomes for TAFE graduates in the occupations held by 457 visa holders.

Recommendation 7: Employers engaging 457 visa holders should be required to pay a training levy into a local training fund to fund ways to match skills training to employer demand.

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