GOVERNMENT SENATORS' REPORT

1.1 During the course of this inquiry the committee has travelled widely across Australia and heard from many people with an interest in current and future skill needs, including representatives of industry, unions, the Commonwealth and state and territory governments and professional organisations, school teachers and students, apprentices, VET teachers and administrators, and academics and other experts. While there were many interesting and useful suggestions for change and improvements to the current system for identifying and meeting current and future skill needs, few witnesses, apart from one or two unions and academics, argued for radical departure from current policy settings or frameworks, except perhaps in relation to aspects of the New Apprenticeship scheme.

1.2 Most of the proposals, including many of those taken up in this report, were consistent with the broad direction of current Government policy and activity. These include refinements to the ASCO system, a more integrated national database, action on career counselling, improved recognition of the value of vocational education and training and careers in the traditional trades, the VET in schools programs, recognition of prior learning, articulation between vocational education and higher education and partnerships between all three education sectors, industry and the community. As well, Government senators note that ANTA has embarked on an ambitious program of research and policy and program development in the context of the new national strategy for VET. Many of the suggestions put to this committee are likely to be considered as part of that process.

1.3 Some other proposals and recommendations in the report, however, reflect the different policy stances of the Government and the Opposition on matters such as more flexible workplace relations and the role of the market, including mechanisms such as user choice, in improving choice and competition. The Government's policy recognises that the complexity of contemporary society and economy and the pace of change, call for a training system and workplace relations arrangements which allow for diverse response to diverse needs and circumstances. The Opposition, in contrast, is seeking, through some of its proposals, to reclaim union control over matters such as determining enterprises' training strategies and the wages and conditions of New Apprentices on Australian Workplace Agreements and to insulate the public provider, TAFE, from the competition it needs to remain a responsive and flexible training system. Government senators see some of the calls for greater union control and regulation as an opportunistic attempt to reclaim for unions, including the education unions, some of the influence that their waning membership has cost them.

1.4 As a general comment, Government senators also believe that the report, while acknowledging the wide range of Government policy and program reviews relating to skill needs, often fails to give adequate recognition to the many significant Government achievements in these areas. These comments also seek to redress the balance and place the report's main findings and recommendations in

context, by highlighting some of the main policy achievements which are either downplayed or ignored in the main report. For ease of reference, these are listed under the relevant chapters.

Chapter 2 Skill Shortfall and Future Skill Needs

Employers and industry groups appearing before the committee are 1.5 understandably concerned that governments take appropriate corrective action to address persistent skill shortages, particularly in key areas of the trades and professions. They, like Government senators, broadly support the Government's initiatives to deal with these shortages, including the industry-led National Industry Skills Initiative in relation to the trades and the marketing campaign in relation to New Apprenticeships in the traditional trades. But while the Government has acted on industry concerns, and has taken action, discussed below, to address shortages in some of the professions, it is important to remember that skill shortages are often a normal feature of the labour market and do not usually signal a policy failure by government. All too often they are the unfortunate side-effect of a strongly growing economy and labour market. Thus, while there were relatively few skill shortages in many of the traditional trades during the recession of the early 1990s, shortages became more apparent as the economy recovered and productivity surged in the midlate 1990s.¹

1.6 Since that time, under the capable management of the current government, Australia's economy has continued to perform strongly. GDP has continued to grow by three and a half per cent a year, exceeding the strong growth rate of the United States and the economy has performed one third better than that of the OECD, taken as a whole. Even the damage to Asian markets in the late nineties appears to have made little impact on Australia's now robust economy.² While this strong economic growth combined with relatively low unemployment levels bring significant benefits for industry and individuals, they can add to the demand for skilled labour and make it more difficult than usual to resolve skill shortages.

1.7 The development of a flexible, responsive training system has been a high priority for the current Government and can play an important role in assisting industry to take corrective action when skill shortages arise. But, as VET expert Ms Kaye Schofield told the committee, the current skills shortages do not (with perhaps one exception) reflect a failure of the training system:

Rarely can the training system be blamed for skill imbalances nor will more vocational education and training necessarily reduce the gap between employees and the skills demanded of the market. Many of the skill

¹ DEWR, *Shortage History Trades, Attachment D*, Information supplied to the committee.

² See 'Australia's Economic "Miracle" ', Gary Banks, Chairman, Productivity Commission, 'welcome dinner' for the Forum on Postgraduate Economics hosted by the ANU in Canberra, On 1 August 2003, p. 1

imbalances currently being experienced by employers should be viewed as a normal part of the business cycle. Sustained growth in some industries and, conversely, industry downturns will impact on the demand for skills, as will one-off and unpredictable events such as bushfires, hailstorms, introduction of a new technology or new regulations and the effects of structural/evolutionary changes in specific industries. Equally importantly, imbalances between demand and supply may simply be the result of low pay and unattractive working conditions.

Skill imbalances should not be interpreted as evidence of systemic market failure. In most cases, the market will adjust although there will be some lag time before it does so. Governments need to resist urgings and the urge to 'do something about them.'³

1.8 In this context, it is worth noting that, while the main report makes much of the skill shortages in the traditional trades, training in these areas remains strong: New Apprenticeships in trades related occupations accounted for 35 per cent of all New Apprenticeships, despite the fact these occupations account for only 13 per cent of the workforce. There has also been strong growth in New Apprenticeships in areas of the economy that are growing most strongly, including the services area, such as business services, helping to ward off the possibility of skill shortages emerging in these areas.

1.9 The main focus of the report, while focusing on traditional trades, also provides some discussion of shortages in the professions. Unfortunately, this is not balanced by a recognition of the action being taken by the Commonwealth to provide extra training places. Government senators note that the government's reform package for higher education, *Our Universities: Backing Australia's Future*, has the potential to make significant inroads into skill shortages in the professions through the additional funding provided for:

- an additional 210 nurse places over next four years in regional university campuses, rising to 574 places by 2007, at a total cost of \$17.1 million;⁴
- additional teacher education places totalling \$18.4 million over 3 years, with teaching remaining at HECS Band 1; and
- \$121 million in additional funding to support the practical component of teaching and nursing programs.⁵

1.10 The Government has also announced an additional 234 new university medical places in 2004 based on advice to the Australian Health Ministers in

³ Submission 96, Ms Kaye Schofield, pp. 6-7

⁴ *Media Release*, Minister the Hon Brendan Nelson MP, MIN 466/03, Extra Places for Nursing across Australia, 19 September 2003

November 2002 from the Australian Medical Workforce Advisory Committee (AMWAC).⁶

1.11 Government senators believe that these actions, and other actions such as the Government's work with employers and the education sector on employability skills will go a long way to improving the supply of suitably skilled people.

Chapter 3: Skills Formation and the Labour Market

1.12 Government senators do not consider that current training and related employment policy settings neglect industry needs. The vocational education and training framework, and training mechanisms such as New Apprenticeships, aim to provide maximum flexibility to the employer and to the trainee to meet the training needs of both. The expansion of student participation in VET reported by DEST at hearings, with numbers doubling over the last decade to the point where there are now 1.7 million students a year are a measure of the Government's success in meeting client needs.⁷ New Apprenticeships have given an ever growing number of people throughout the community the opportunity to find employment that suits their needs, whether it be entry or re-entry into the workforce, and to gain qualifications on which they can build secure futures. Both of these developments assist businesses meet the challenges they face in gaining and training the skilled people they need to grow, in an environment of increased competitive pressure and technological change.

1.13 Government senators stand by the proven versatility of New Apprenticeships in companion with the flexibility offered under Work Place Agreements; they also support the continued provision of training wages and incentives for entry level and existing workers as a means of maximising training opportunities for the New Apprentice and the employer. Government senators are somewhat surprised that the report is critical of these arrangements, given that the training wage itself was originally a Labor government initiative, designed to expand training opportunities. The current policy framework for New Apprenticeships provides a more coherent and successful set of arrangements, for the benefit of a broader and more diverse group of people, than the more fragmented and poorly integrated arrangements for traineeships under the most recent Labor governments.

1.14 Given these achievements, Government senators reiterate their support for the view that skill shortages are not an indicator of systemic failure in the supply or training framework set up by the Government.⁸ Instead, the causes of shortages are attributable to a wide range of market factors, as the National Industry Skills Initiative (NISI) found. In this regard, Government senators also dispute the report's finding that Commonwealth incentives for New Apprenticeships are not adequately

⁶ DEST response to Question on Notice. Additional question number 2.

⁷ Mr Colin Walters, DEST, *Hansard*, Canberra 15 August 2003, p. 1199.

⁸ Ms Kaye Schofield, noted above.

countering disincentives to training in trade areas, and may be skewing growth into lower skill areas.

1.15 Consistent with the findings of the NISI, much of the evidence to the inquiry indicated that lack of interest by young people in apprenticeships in the traditional trades is one of the main constraints in increasing take up of training in these areas. Too often, the committee heard that the trades are considered 'dirty, difficult and dangerous' often by those teachers or career counselors either biased in favour of higher education or out of touch with the significant technological changes that have taken place in the automotive, manufacturing and other industries over the past decade. The Government's marketing campaign for the traditional trades and other actions through the NISI, are intended to break down some of these myths and stereotypes. Television commercials on New Apprenticeships advertise career opportunities in areas diverse as agriculture, hairdressing and automotive mechanics and are reaching children before they have formed any preconceptions about particular career options. The new website on traditional trades is opening a window on the challenges and opportunities available to all young people with a technical aptitude - male and female - and breaking down outdated ideas about trades careers. Government senators understand that while this campaign is yet to be formally evaluated, initial responses are very promising.

1.16 At the same time, Government senators acknowledge that the decline in interest in the traditional trades contributes to the impression that training in these areas has reduced. As noted above, much of the recent growth in New Apprenticeships has been in new occupational areas, where employment is growing strongly, the submission from the Department of Education, Science and Training (DEST) quoting NCVER statistics, shows that this has not been at the expense of training in traditional apprenticeships. Between 1995 and 2002, there was a 22 per cent growth in 'traditional apprenticeship' training from 97,610 to 119,340 and that 'trades and related workers' are still the biggest occupational group in New Apprenticeships, comprising nearly 36 per cent of those in training compared with only some 13 per cent of the workforce. NCVER also show that the number of young people taking up traditional apprenticeships in the trades is as great as ever, with a 9.5 per cent increase between 1995 and 2002.⁹ And these increases in training have taken place at a time when employment in many of the traditional trades is growing slowly if at all.

1.17 Government senators also note that the Commonwealth incentive scheme has recently been reviewed, in consultation with major stakeholders and a simplified and more targeted set of incentives, with a greater emphasis on completions, training in emerging industries, and support for mature workers, has been introduced.

1.18 The Job Network, too, has undergone a rigorous process of review in recent years, with Productivity Commission's *Independent Review*, presented in June 2002,

⁹ Submission 57, Department of Education, Science and Training (DEST), p.19

providing a guide for adjustment over the last year. Government senators are confident that the new arrangements under the Active Participation Model, introduced on 1 July 2003, will resolve training-related and other concerns about the capacity for skilled job matching raised during the inquiry process. Changes under the Employment Services Contract 3 will allow Job Network members refer their job seekers to complementary programmes, such as the New Apprenticeships Access Programme (NAAP), Literacy and Numeracy Programme (LLNP) and Career Counselling. This co-operative cross-agency and cross-programme arrangement will enhance the Commonwealth's capacity to provide more effective responses to skills needs across the full range of industries.

1.19 As the report acknowledges, these major new developments are supported by a suite of companion initiatives designed to target the young, indigenous, disadvantaged or mature age job seeker. Additional funding to support these programs is available through the new Job Seeker account, which will be used to purchase training. In the case of mature age and indigenous jobseekers, the Job Seeker account will be available in addition to funds provided through the Training Account and where appropriate a Training Credit, to meet the costs of employmentrelated training, included that provided by employers.

1.20 In the case of young job seekers, Intensive Support job search training will provide targeted assistance for early school leavers. This allows for recognition of different education outcomes. Jobseekers aged 16 to 24 will also be required to participate in Intensive Job support job search training. The focus here is on providing young people with a better idea about what employers want, and what is necessary to find, obtain and maintain employment. The Government will make an additional 21,000 Intensive Support Job Search training places available over three years at a cost of \$12.5 million to support these young people make the difficult transition from school to work. Other initiatives, such as a new website for young people entering the job market, will build the link between Job Network, schools and employers. The important link between education and employment is also being bridged by Department of Education Workplace Relations (DEWR) and Department of Education Science and Training (DEST) in a joint working group looking at ways to improve school to work transitions.

1.21 Finally, Government senators contend that the current policy approach to addressing training and employment needs is already strategically targeted to yield the best value for money. While youth training and the skilling of the unemployed is and must be a key concern, the Government considers that the magnitude and diversity of client needs warrants a carefully integrated plan, which it has evolved and is constantly refining. Government senators note that important issues, such as the potential implementation of Recognition of Prior Learning (RPL), are now being closely examined, with some draft guidelines and policy directions on RPL being expected by March 2004.

Chapter 4: The Vocational Education and Training Framework

1.22 The first part of this chapter is mainly concerned with funding and calls for increases in Commonwealth and state funding for vocational education and training. Once again, Government senators believe that these claims need to be set in context.

1 23 It is a truism, of course, that there is never enough money to do all the things that need to be done, and to the standard desired. Government senators do not doubt that additional and perhaps unlimited Commonwealth and state funding would translate into some improvements in the availability of places and the quality of services in the VET sector. But responsible government is not about writing blank cheques, but rather about priorities, choices between competing needs and prudent expenditure of taxpayer funds. Having said that, Government senators are concerned that the report paints a misleadingly negative impression of growing Commonwealth contribution to VET, particularly over the life of the last ANTA Agreement and the generosity of the current offer. During 2003, the Commonwealth provided about \$1.1 billion to the states and territories for implementing VET goals including addressing identified industry skill shortages.¹⁰ It has offered to increase this by 12.5 per cent or an additional \$218.7 million, over the life of the next ANTA Agreement in 2004-06, providing a total of \$3.6 billion for the life of the next Agreement. This will fund more places and improved quality and responsiveness. Industry supports the Commonwealth's offer and has called on states to provide matching funding.¹¹

1.24 As to the adequacy of this offer, Government senators note that a recent report on the long term demand for VET by Access Economics estimates that the rate of growth in demand for VET over the period 2002-2010 will be approximately half of that experienced over the period 1991 to 2001 (2.7 per cent compared with 5.9 per cent).¹² Calls for even more funding need to be seen in that context.

1.25 Finally, Government senators observe that Australia's national training system is a partnership between the Commonwealth and states, with the latter often quick to call for increased Commonwealth funding, while pulling back from their own commitments. The New South Wales government, for example, in its 2003–04 budget introduced fee increases of up to 300 per cent for some TAFE courses, affecting at least 40 per cent of NSW TAFE students and abolished some fee exemptions for disadvantaged students. While the decision on fee exemptions for unemployed and youth at risk has been reversed, other measures remain in force.¹³ Government senators remain deeply disturbed that the states are apparently unwilling to support the training demands of industry in the traditional trades. In late

¹⁰ Media Release, Commonwealth submission to skills inquiry, 11 April 2003, Min 331/03

¹¹ Media release, Commonwealth offers \$3.6 billion for training, 13 June, 2003 Min 373/03

¹² Access Economics, *Future Demand for Vocational Education and Training*, Final Draft of 26 May 2003, prepared for ANTA, p. 7

¹³ Media Release, Minister The Hon Dr Brendan Nelson MP, NSW Government Backflip on some TAFE Fees – but 300% increases remain, 24 September 2003, MIN 468/03

2002, for example, VET plans submitted by New South Wales, Victoria, Tasmania and South Australia all indicated that training places in the key trades at TAFE and among private providers would be reduced. This means places in building and construction, engineering, mining and automotive would be lost while providers continue to offer courses in a range of 'soft' subjects from craft courses to belly dancing.¹⁴

1.26 Government senators also believe that the section of this chapter on the training policy and framework, including user choice policies and the VET in schools program, should be read against the background that many of these features were introduced as a result industry demands for greater responsiveness, flexibility and national consistency in the training system and criticism of the previously cumbersome training regulatory arrangements, as well as to expand training opportunities, including for new industries. Readers also need to be aware that, while the Commonwealth can show leadership, the impact of the reforms can vary with the level of commitment of the state and territory training agencies. Without cooperation, the cooperative federal system of VET will not function as intended.

1.27 A key point of concern for Government senators is the main report's presumption that the public provider, TAFE, should be accorded a privileged role within the VET system, to the extent that the choice available to employers and employees should be seriously curtailed simply in order to protect the position of TAFE. The underlying message is that the main focus of the vocational education system should be the needs and interests of the providers, rather than those of the clients, that is the students and employers who pay for the education and training and who have most to gain or lose from the training provided. Government senators are completely opposed to this position and regard it as a very poor basis for formulating public policy.

1.28 The weight of the evidence to this inquiry indicates the need for more, not less, user choice, if Australian employers and employees are to engage in training to the extent that will clearly be needed to meet increasing skill formation challenges over the next decade. Time and time again, the committee heard of instances where TAFEs are failing to respond to the needs of employers, particularly small businesses, and remote communities where TAFEs may be reluctant to travel at times convenient to the local community. Witnesses from the Gulf area told the committee that they prefer to have a choice of the RTO that will provide their government funded training.¹⁵ Among the advantages of private RTOs is an ability to specialise in niche areas, service remote or specialised clients and service clients with a national reach, thus catering for the diversity of training needs. Following the introduction of user choice, Australia now has a vibrant, diversified training market in which private RTOs, are playing an increasingly important role. Major employer

¹⁴ House Hansard: 18 June 2003, The Hon Dr Nelson MP, p. 16945

¹⁵ Ms Kathryn Sutcliffe, CEO, Gulf Savannah Corporation, *Hansard*, Cairns Roundtable, 2 April 2003, p. 136

groups such as the ACCI see user choice of training provider as fundamental to increasing employer investment in training, and the current inflexibilities in the training system as one of the main barriers to this investment. Government senators therefore believe that further progress in implementing user choice is essential if we are to resolve current skill shortages and pre-empt further shortages arising in future.

1.29 The VET in schools program, discussed in the report, provides a good illustration of the soundness of the Government's policy framework for skills formation. While there were earlier versions of this program before 1996, the program's expansion and development stems from a decision by the MINCO in 1996 to allocate \$20 million of VET funds to state and territory authorities for each of the calendar years 1997 to 2000. The Commonwealth provided additional support, and the result has been a substantial growth in participation in VET in schools and in the range of programs offered.¹⁶ While there are many suggestions for improvements or change to the program in this report, there are few, if any, who do not support the general concept of the program. The Government is well aware of industry and other calls for some changes to the way the program operates and, in order to consider these further, the Minister for Education, Science and Training, asked the House of Representatives standing committee on education and training in July 2002 to conduct an inquiry into the program and recommend improvements.

Chapter 5: Education and Training Pathways

1.30 Many of the suggestions and proposals in this chapter, while consistent with the broad direction of Commonwealth policy, either seek commitment to some specific initiatives or models brought to the committee's attention during the inquiry, or, as in the case of Government support for training existing workers, take up some arguments made to the inquiry for a different approach.

1.31 Government senators generally support the recommendations relating to issues such as improving the capacity of schools to prepare students for further VET studies, collaborative partnerships, articulation between VET and higher education, and exploring the broader applicability of models such as the T3 program and the Cast CRC program. These are useful suggestions made during the course of the inquiry which may merit further examination and could lead to some practical improvements in the areas such as the preparation of students for further vocational education and training. Government senators note, however, that the Commonwealth is already laying firm foundations for the development of more collaborative approaches through its support for universities. For example, the Collaboration and Structural Reform (CASR) Fund, under *Our Universities: Backing Australia's Future*, with \$36.6 million over 3 years commencing in 2005, will provide competitive funds to foster collaboration and structural reform in the higher education sector, including course provision to be shared between two or more

¹⁶ Senate Employment, Workplace Relations and Education References Committee, *Aspiring to excellence*, November 2000, p. 224

institutions in order to ensure the most effective use of resources. The proposal, to fund universities from 2005 on the basis of number of places and discipline mix, will also allow for more consideration of ways of supporting courses with small numbers¹⁷ but high public value, such as in cast metals related engineering or the RMIT/Bosch model.

1.32 Government senators are also convinced that the foundations for engaging students in these pathways are already laid down. There is potential to build on current Job Network and New Apprenticeship arrangements to support participation in the Cast CRC, RMI/ Bosch, and also Illawarra Skill centre proposals as referred to in the report. In this regard, Government senators find some value in recommendation 20 in Chapter 3, which commends the potential to combine New Apprenticeship Incentives with Job Network assistance to support training and employment in skill shortages areas.

1.33 But there are other recommendations that government senators consider unnecessary, largely because they propose actions or policies that are already being implemented by Government. For example, the Commonwealth government through its VET in Schools and Youth transition policies, is already active in promoting partnerships between the three education sectors, industry and the local community. There is, in any event, limitations on the Commonwealth in facilitating and promoting these partnerships which are best handled at state level. Similarly, Government senators, while not dissenting from the recommendation in relation to career counseling, believe that the work currently being undertaken by MCEETYA and the Commonwealth, will provide a sound basis for future arrangements for career advice in schools.

1.34 Government senators, while supporting the principle and the thinking behind the recommendation on Youth Transition, consider it premature, at this time to introduce a complex, resource intensive set of bureaucratic arrangements when the results of some recent significant initiatives in this area are not yet available. The recent review of Youth Transition programs by Allen Consulting Group for the Business Council of Australia, found that there is 'recent and widespread activity in education and training sectors around Australia to improve the transition of young people from initial education to further education and training and employment'.¹⁸ In particular, several states and territories, including Victoria and Queensland, have recently introduced programs or mechanisms which have the potential to translate into improved education and training and employment outcomes for young school leavers. Government senators consider that there should be time to evaluate the outcome of these initiatives and other developments, before a commitment is made to further action.

¹⁷ DEST Response to Additional Question on Notice from the Committee, Additional Question No.3

¹⁸ Allen Consulting Group for the Business Council of Australia, *Overview of Transition Programs*, January 2003. p. 1

Finally, government senators are not convinced, for the moment, of the need 1.35 for a separate program to support employers in training current workers. Government senators note that a separate approach has the broad support of industry and employers, although this may partly reflect the current impediments to broad use of New Apprenticeships as an avenue for training existing workers, through state and territory government limitations on user choice and funding of the associated training. As DEST representatives explained at the hearing on 15 August 2003, the significant costs of establishing, administering and monitoring a separate scheme, need to be weighed against the likely benefits. The committee heard some compelling arguments that any scheme for training existing workers would need to be carefully targeted to those most in need, such as mature workers lacking postsecondary education and training, and/or priority areas of skill development. In this context, we note from information supplied by ANTA that the New Apprenticeships scheme and Commonwealth incentives for existing workers appear to be well targeted to the needs of disadvantaged workers: of the estimated 72,244 existing workers who commenced New Apprenticeships in 2002, 61,773 (85.5 per cent) had no post-school qualification and were obtaining their first vocational qualification, 5,055 (7.0 per cent) were upgrading from a lower VET qualification and 1,260 (1.7 per cent) supplied no data on past education.

Chapter 6 : The Role of Industry and other Stakeholders

1.36 The bulk of this chapter deals with the recent changes to industry consultation arrangements, although there is also a discussion of industry's role and responsibilities for training its workforce. Government senators note that the revised national industry arrangements are matters for ANTA. Since ANTA appears to be satisfied with the new arrangements, then there would appear to be little point in outside observers suggesting that other arrangements would be preferable.

1.37 Government senators note the loud complaints from unions and some state governments and ITAB members about the withdrawal of Commonwealth funding for state ITABs but find some of the responses disingenuous. After all, if it is true that 'you value what you pay for' as one academic has argued in support of a training levy for industry, then it is clear that few state and territory governments valued their industry advisory arrangements highly enough to make a significant contribution to their operations. Government senators agree with the Commonwealth Government that the arrangements for and funding of these bodies, is a matter for state and territory governments. Claims that they are an integral part of the national system, as made in this report, are, in the view of Government senators, simply opportunistic attempts to preserve the previous status quo for its beneficiaries.

1.38 Government senators note that there are varying views on whether industry's investment in training is static, increasing or decreasing, depending on what measures are used. The ABS Media Release earlier this year on its survey of employer investment in training reported that employers spent 52 per cent more on

structured training for their employees in 2001-02 than in 1996.¹⁹ Despite this, and our general view that the main barrier to greater employer investment in training is greater flexibility and responsiveness, government senators see no objection to ANTA being asked to investigate the range of options for increasing industry investment in training their workforce. We note, however, that ANTA has undertaken a project to assess the relative contribution for VET of individuals, industry and government.

Senator John Tierney Deputy Chair **Senator Guy Barnett**

ABS, Media Release, 2 April 2003, Employers spend more on training, 6362.0