

**AUSTRALIAN COUNCIL FOR
PRIVATE EDUCATION AND TRAINING**

Submission to

**Senate Employment, Workplace Relations and
Education References Committee**

**on its reference concerning
Current and future skills needs**

February 2003

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INTRODUCTION

The Australian Council for Private Education and Training (ACPET) welcomes the opportunity to provide input to the Senate Employment, Workplace Relations and Education References Committee on its reference to "*Current and future skills needs*" on behalf of its industry stakeholders.

Effective, responsive and high quality national skills development should be founded on full utilisation of the range of public and private vocational education and training and higher education providers. ACPET is concerned that current federal and state government practices not only fail to capitalise on the capacities of private vocational education and training and higher education providers, they appear to bestow unfair advantage on Government-funded universities and TAFE institutes in the delivery of post compulsory education and training.

The Committee's terms of reference provide an ideal opportunity for the Government to gain a greater appreciation and understanding of the operations of private vocational education and training and higher education providers, and to affirm and expand the role of the private sector in contributing to the skills development of the nation.

ACPET CREDENTIALS

ACPET was established in 1992 as a national body to represent the interests of private providers in discussions with Commonwealth, State and Territory Governments and their agencies.

ACPET is a not for profit company established under the Corporations Act. It is administered by a Board, elected by the membership that operates in accordance with the requirements of the Australian Securities Commission. The Registered Office of ACPET is Suite 12 Level 1, 123 Clarence Street, Sydney NSW 2000.

We are the largest body representing the private education sector in Australia, with approximately 500 members engaged in vocational education and training and higher education. Our members have developed a particular profile in opening up and delivering high quality niche market accredited vocational education and training and higher education, and developing high-level skills for both overseas and domestic students. ACPET operates Tuition Assurance Schemes for both overseas and domestic students on behalf of these providers, and has been witness to the strong growth of provision in this sector of the industry.

ACPET members adopt and maintain practices which ensure high professional standards in general management and the marketing and delivery of vocational education and training and higher education services which safeguard the interests and welfare of students, clients and the public.

Our members ensure the highest possible standards in the selection of staff and the planning and delivery of vocational education and training and higher education and training programs. Staff involved in teaching, learning and assessing are suitably qualified and have relevant academic, teaching and industry experience. Members maintain a learning environment that is conducive to the success of students/clients and ensure adequate facilities and the use of methods and materials appropriate to the requirements and levels at which programs are offered. Delivery is monitored and assured to ensure effective delivery and ongoing relevance.

STRENGTHS AND ACHIEVEMENTS OF PRIVATE PROVIDERS

Over the past decade, private providers have become increasingly important contributors to the delivery of accredited vocational education and training and higher education programs dedicated to the specific skill development needs of industry and the community. They possess extremely well developed industry and education networks, and current knowledge of industry and education practice. ACPET members have ongoing and continuous involvement with individual employers, ranging from micro businesses through SME's to large national and multinational corporations as well as with a range of industry groups across all states and territories. Many are industry specialists who deliver vocational education and training and higher education in niche markets.

In addition to the profile of private providers in the delivery of vocational education and training and higher education across a wide range of disciplines, private providers are also strongly represented in the economically significant market of VET delivery to overseas students. Australian Education International data indicates that 70 percent of VET course delivery to overseas students is provided by the private sector.

Private providers deliver almost the full range of nationally accredited AQF qualifications, from apprenticeships and traineeships to masters degrees.

The only way private vocational education and training and higher education providers survive and prosper in the market place is through the quality of their services and the competitiveness of their prices. Their client groups are in the main those individuals who are prepared to pay for their education and training, although it must be acknowledged that some private vocational education and training providers do receive Government funds to provide skills development programs.

Not only do public RTOs receive the same funds to provide skills development programs as private RTOs, they also get considerable equipment grants and allocations for capital works. Arguably, private fee paying students are subsidizing Government funded students.

SUMMARY OF RECOMMENDATIONS

Recommendation 1

That the Commonwealth Government act to remove the unintended disincentive to employing full time apprentices and trainees caused by the Retail sector's growing use of part time Certificate 3 level traineeships.

Recommendation 2

That the Commonwealth Government explore new and different ways to support and encourage the skills development of existing workers and the re-skilling of older workers, including the provision of targeted tax relief measures.

Recommendation 3

That the Commonwealth Government put in place a VET Graduate Education Loans Scheme (VGELS) for those individuals who wish to gain further vocational skills, having already gained an initial accredited vocational education and training qualification at Certificate III level or above.

Recommendation 4

That the Commonwealth Government work with ANTA and MINCO to bring about greater consistency and continuous improvement across the states and territories in the way nationally agreed qualifications and policies are implemented and skills development programs are purchased.

Recommendation 5

That the Commonwealth Government support the listing of the Associate Degree qualification on the Australian Qualifications Framework as a vocationally based higher education qualification.

Recommendation 6

That the Commonwealth Government should extend the Higher Education Contribution Scheme to include all students irrespective of the funding basis of the accredited higher education institution they are attending.

Recommendation 7

That the Commonwealth Government provide incentives to employers who employ young people undertaking the Associate Degree in particular skill shortage areas.

SUBMISSION

In this submission, ACPET addresses the second of the terms of reference of the committee, which has been identified as a priority by ACPET members. The second term of reference reads:

“the effectiveness of current Commonwealth, state and territory education, training and employment policies, and programs and mechanisms for meeting current and future skills needs, and any recommended improvements”;

Our submission is based on its established position expressed in published policies and previous reports and submissions to this Committee and other bodies. The submission focuses on seven areas:

- **Apprenticeship/Traineeship employer incentive scheme**
- **Skills Development**
- **VET Graduate Education Loans Scheme**
- **Inconsistency of operation of the respective state and territory authorities**
- **Knowledge of areas of skills shortages**
- **Associate Degree qualification**
- **Higher Education Contributions Scheme**
- **Employer Incentives**

APPRENTICESHIP/TRAINESHIP EMPLOYER INCENTIVE SCHEME.

Currently, the main Commonwealth mechanism for encouraging skills development by industry and education institutions is through the apprenticeship/traineeship employer incentive scheme, whereby employers receive a wage subsidy and/or payroll tax and workers compensation insurance relief for providing employment to an individual as an apprentice/trainee. Incentives can only be paid if the individual applying for the apprenticeship/traineeship meets certain criteria, if the employer is prepared to enter into a contract of training with the individual, and if the qualification is an approved apprenticeship/traineeship with a qualification level no higher than Certificate IV. This scheme applies, subject to various rules, to young people entering the workforce for the first time, existing workers and older 45+ workers seeking new or different work roles after periods of unemployment or redundancy. In each of these scenarios, private providers are encountering situations that are acting to the disadvantage of the individual and to the development of skills that are in short supply.

We cite the following examples:

- A young individual who has inadvertently or unknowingly entered into a Certificate III level traineeship as a result of having a part-time retail or fast food job while still attending school excludes any future employer from any employment incentive and often consequently debars him/herself from employment in a real career choice apprenticeship/traineeship in a skills shortage area. This is, in effect, an unintended disincentive to employers to take on apprentices and trainees and acts to the

detriment of young people seeking full-time employment with a training component. The recent changes to eligibility requirements that have exempted Certificate level qualifications attempted or undertaken as part of VET in schools programs are welcome, but the implications for future skills development of the growing use of traineeships by the Retail sector for young people in part-time jobs while still at school needs to be addressed.

- An existing adult worker who wishes to enter into a contract of training as an apprentice/trainee can gain incentives for his/her employer and can, in particular circumstances of demonstrated skill shortage, become eligible for Government training funds with the approval of the state training authority. However, many employers are wary of changed employment rules inherent in the traineeship arrangements and often cannot afford to maintain existing worker wage structures for an individual who is now an apprentice/trainee operating under supervision. Many existing workers are similarly discouraged from undertaking the extended period of training required under the contract of training and a number of employers are reporting to ACPET members that the levels of discontent displayed by some existing workers during the latter stages of a three or four year contract of training is such as to deter them from continuing with this approach for skills development. ACPET members are at the same time observing a number of employers engaging existing workers as trainees to undertake the shorter two year Certificate III level programs, where in many cases there appears to be limited correlation between the nature of the primary task or job and the nature or intent of the traineeship. The two year Certificate III in Information Technology seems to be particularly used in this way.
- An older worker who has been unemployed or retrenched and wishes to re-enter/remain in the workforce often finds that accepting or applying for a traineeship under a contract of training in a new industry area is the only way forward. To gain the traineeship, older workers have to demonstrate that their previous industry qualifications and experience are now so irrelevant or outdated as to make employment or recognition of skills not feasible for that industry. In many cases this leads to them becoming further discouraged and disenfranchised.

While supportive of the Commonwealth scheme to provide incentives to employers to take on young people into apprenticeships and traineeships, the scheme needs to be reviewed to remove the anomalies currently being created that impact on the future full time employment of young people as Apprentices/Trainees.

Recommendation 1

That the Commonwealth Government act to remove the unintended disincentive to employing full time apprentices and trainees caused by the Retail sector's growing use of part-time Certificate 3 level traineeships.

SKILLS DEVELOPMENT

Different approaches, programs and mechanisms are needed to cope with future needs and demands, but that there also needs to be a new paradigm, led by the Commonwealth Government, for the engagement of private vocational education and training higher education in matters of skills development. In particular the Commonwealth Government should investigate new and innovative ways of providing equal opportunity and support to those individuals who are willing to contribute to the cost of their own skills development. All Australian vocational education and training and higher education students should be treated equally and fairly in relation to opportunities for skills development.

New and different ways should be found to support and encourage the skills development of existing workers and the re-skilling of older workers. The use of the existing apprenticeship/traineeship incentive scheme for these situations seems to be quite inappropriate and is increasingly counterproductive.

One way forward would be for the Commonwealth Government to consider granting tax relief to companies who engage existing employees in accredited training related to necessary skills development. Such tax relief might be based on a proportion of wages/salaries paid to workers successfully completing accredited training programs. In addition, the employment of an older worker similarly engaged in skills development programs could warrant tax relief for the first two years of employment and then on the same basis as an existing worker.

Simultaneously, the Commonwealth Government should consider introducing some form of employer incentive scheme for skills development of new and existing employees gaining additional skills by undertaking qualifications in vocational education and training or higher education at levels above Certificate IV.

Recommendation 2

That the Commonwealth Government explore new and different ways to support and encourage the skills development of existing workers and the re-skilling of older workers, including the provision of targeted tax relief measures.

VET GRADUATE EDUCATION LOANS SCHEME (VGELS)

An examination of the current skills shortages of Australia reveals that they range across all qualification levels from Certificate II level to degree or graduate diploma. The main mechanism that the Commonwealth Government uses to encourage skill development up to Certificate IV level is the employer apprenticeship/traineeship incentive scheme. For higher education qualifications above that level, the mechanism is the Higher Education Contribution Scheme (HECS) or Post Graduate Education Loans Scheme (PELS) approach to individual student loans.

The Commonwealth Government could gain considerably better outcomes from its investment in skills development by the introduction of a PELS type approach to vocational education and training. We would argue that a "VET Graduate Education Loans Scheme" (VGELS) could be created for those individuals who wish to gain further vocational skills having already gained an initial accredited vocational education and training qualification at Certificate III level or above. The VGELS would only apply to qualifications above Certificate III. We envisage that in cases where VGELS does not apply, normal Government funding would be available to all RTOs, public and private, for education and training in designated areas of skills shortage.

Recommendation 3

That the Commonwealth Government put in place a VET Graduate Education Loans Scheme (VGELS) for those individuals who wish to gain further vocational skills having already gained an initial accredited vocational education and training qualification at Certificate III level or above.

INCONSISTENCY OF OPERATION OF THE RESPECTIVE STATE AND TERRITORY EDUCATION AND TRAINING AUTHORITIES

A significant concern of ACPET is the inconsistency of operation of the respective state and territory education and training authorities in matters of skill development. ACPET members operate in a business environment subject to competitive pressures, client satisfaction and cost efficiencies with industry clients that have operations across all states and territories. Whilst ACPET acknowledges the efforts of MINCO and ANTA through a variety of activities, particularly the implementation of the Australian Quality Training Framework designed to bring about greater national consistency across the vocational education and training sector, there are still a number of inconsistencies or differences across the states and territories. Such inconsistencies and differences act against the efficient development of consistent approaches to skills development by ACPET members. At times it appears that such inconsistencies and differences are deliberately being maintained to exclude or prevent both public and private RTOs operating over state and territory boundaries; for example:

- differences in the specification of national qualifications as approved apprenticeship /traineeship qualifications;
- differences in the hours needed for a specific national qualification;
- differences in funding levels for a specific national qualification;
- differences in qualifications eligible for Government funding;
- differences in auditing approaches to RTOs, particularly private RTOs delivering national qualifications;
- differences in approaches to the nationally agreed policy of user choice;
- differences in approaches to engaging private providers in education and training policy determination and/or implementation strategies;

- differences in payment regimes and criteria for the delivery of Government funded training;
- differences in higher education legislation relating to Associate Degrees;
- Differences in quality mechanisms based on criteria outside of the AQTF.
- differences in the value placed on linkages between RTOs, NACs and Jobmatch operations.

We are not arguing for uniformity of approach across states and territories, but rather for consistency and continuous improvement in the way nationally agreed qualifications and policies are implemented and skills development programs are purchased.

A related issue of concern is the conflict of interest created when the purchasing authority for education and training is also the quality assurance agent and the major provider. This conflict of interest militates against the most cost effective mechanisms being developed to address skills needs and skills shortages, and places unfair strain on those individuals paying for their own skills development.

Private providers operating in close relationships with industry often have detailed and intricate knowledge of areas of skills shortages and training needs flowing from such issues as restructuring and redundancies, and have developed innovative strategies for dealing with these needs. However, more often than not, Government support for these strategies is contingent upon private providers providing substantial evidence and justification based on commercial-in-confidence market intelligence. The experience of many private providers is that, on meeting the evidence and justification requirements, the market is immediately overtaken by public TAFE providers who appear to have been privy to such information through State Training Authorities.

Recommendation 4

That the Commonwealth Government work with ANTA and MINCO to bring about greater consistency and continuous improvement across the States and Territories in the way nationally agreed qualifications and policies are implemented and skills development programs are purchased.

ASSOCIATE DEGREE QUALIFICATION

One way of expanding the skills base of Australia that would avoid or reduce some of the anomalies currently being created through a focus on the use of vocational education and training apprenticeship and traineeship qualifications is to introduce an Associate Degree qualification into the Australian Qualifications Framework (AQF).

We have already put a case to Government and the Australian Qualifications Framework Advisory Board (AQFAB) for the listing of the Associate Degree qualification on the AQF.

Two-year degree programs, known as "Associate Degrees", have long been part of the educational landscape in the United States, often conducted by universities but more often by providers within the community college sector. One of the most significant areas of operation for Associate Degrees in the USA is that for nursing with 42,665 people completing an Associate Degree in nursing in 2000.

In England, two-year post year 12 programs have taken on a new import. These programs, known as "Foundation Degrees", were initially designed to provide students with the necessary academic understanding to carry out specialist tasks together with the vocational skills for effective employment. Foundation degrees may be undertaken in the workplace as well as on a part-time basis, and therefore may be particularly suited to mature students due to their flexible delivery and technical focus. They also provide a good progression route from modern apprenticeships.

Most recently in January of this year, the UK Secretary of State for Education and Skills, Mr Charles Clarke, released a White Paper "The Future of Higher Education", which sets out the UK Government's plans for radical reform and investment in universities and Higher Education colleges. The White paper argues that there is a need to expand higher education in the UK without compromising on quality. The paper includes proposals for changes in the student finance system and plans for making higher education more accessible to more young people. It is argued that the bulk of the expansion will come through new types of qualification, better tailored to the needs of students and the economy.

The White Paper indicates that the UK Government will:

- *Continue to increase participation towards 50 percent of those aged 18-30, mainly through two year work focused foundation degrees;*
- *Work with employers to develop more foundation degrees, providing financial incentives for student, strengthening links between further and higher education and creating better pathways for progression;*
- *Encourage more flexibility in courses, to meet the needs of a more diverse student body and improve support for those doing part time degrees.*

Since their first year of operation in which there were over 1,000 enrolments in such courses across the UK, Foundation Degrees have proved very popular with students.

If Australia is to remain internationally competitive, the Commonwealth Government needs to be cognisant of international developments across the full range of skills development approaches, not just at the apprenticeship and traineeship level.

The mandatory imposition of Training Packages has not been popular with the private sector, particularly because it has widened the gulf between VET and higher education

and impeded the marketing of VET programs to overseas students. The inclusion of the Associate Degree qualification in the AQF would better position the higher education sector to contribute collaboratively with the VET sector to the growing skills needs of the nation and to further develop the international education market.

With private providers developing and conducting a new range of Associate Degrees, there would be renewed interest from universities in the provision of Associate Degrees. This would lead to real value-adding in the skills development necessary for a versatile and adaptable workforce.

Recommendation 5

That the Commonwealth Government support the listing of the Associate Degree qualification on the Australian Qualifications Framework as a vocationally based higher education qualification.

HIGHER EDUCATION CONTRIBUTION SCHEME

As a higher education qualification the Associate Degree would presumably be covered by HECS. We have consistently maintained that HECS should be extended to include all students irrespective of the nature of the accredited higher education institution they are attending. i.e. HECS should be extended to include students enrolled at accredited non-university private higher education institutions.

Recommendation 6

That the Commonwealth Government should extend the Higher Education Contribution Scheme to include all students irrespective of the funding basis of the accredited higher education institution they are attending.

EMPLOYER INCENTIVES

The Commonwealth Government could, with the introduction of the Associate Degree to the AQF, simultaneously provide similar incentives to employers as the apprenticeship/traineeship incentive scheme for particular skill shortage areas.

Recommendation 7

That the Commonwealth Government should provide incentives to employers for employing young people undertaking the Associate Degree in particular skill shortage areas.

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