

**SENATE EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE**

INQUIRY INTO CURRENT AND FUTURE SKILLS NEEDS

**VICTORIAN LEARNING AND EMPLOYMENT SKILLS COMMISSION
SUBMISSION**

The Victorian Learning and Employment Skills Commission (VLESC) supports the Victorian Government's submission to the *Inquiry into Current and Future Skills Needs*. However, the VLESC's submission below outlines specific policy and skill development priorities for vocational education and training (VET) in Victoria.

The challenge of meeting current and future skills needs is a major priority for the VLESC. As the Victorian State Training Authority, the VLESC aims to achieve a quality, sustainable post compulsory education and training system that responds to and balances stakeholder needs, and underpins Victoria's economic and social development.

To meet these challenges, the Victorian Government has implemented major policy initiatives in education and training. In June 2002, Minister Kosky released the Ministerial Statement, *Knowledge and Skills for the Innovation Economy – future direction for the Victorian vocational education and training system*. The Statement outlines the key steps to creating an innovative education and training system.

The Ministerial Statement focuses on changing the way training is delivered in Victoria and pays particular attention to specialisation and innovation. It highlights a number of initiatives aimed at ensuring the Victorian training system is responsive to the needs of existing and emerging industries.

Victorian businesses need access to the right skills and knowledge if Victoria is to develop as a high-growth, high-skill economy, and individual citizens need access to skills and knowledge to participate successfully in the innovation economy.

The VET sector is integral in helping businesses to access skilled employees, and assisting individuals to gain the skills they need for new and emerging industries. The approach to innovation in VET will be based on:

- pursuing excellence in VET programs and services
- innovation in training delivery to support innovative Victorian businesses, and
- better access for communities, individuals and businesses to lifelong learning that suits their circumstances.

The initiatives, which will better prepare the State for current and emerging skill needs, include:

- the development of Specialist Centres in specific industry, skill or program areas at TAFE Institutes

- establishing Industry Liaison Agents (ILAs) in six Victorian manufacturing industry sectors. ILAs will set up networks of Small to Medium Enterprises to identify training needs and stimulate demand for workplace training
- three funds of \$10 million each for TAFE Institutes to trial new initiatives in innovation, emerging skills and industries and flexible delivery
- \$4 million in funding (over two years) for specialist design centres, as part of \$9.2 million allocation to develop Victoria's design centres, and
- workforce development initiatives

Following the release of the Ministerial Statement, two key issues have been referred to the VLESC for more detailed advice. Those issues are:

- how to determine priorities for public expenditure on VET in an innovation economy, and
- how to secure long-term sustainable financing arrangements in VET.

In advising the Victorian Minister for Education and Training on the references, the VLESC is addressing areas relating to current and future skills needs, such as:

- funding to support growth and demand in VET
- prioritising where resources are directed, and
- the training needs of existing workers.

Determining priorities for public expenditure on vocational education and training in an innovation economy

During 2003 the VLESC will advise the Minister for Education and Training on the development of a new, broadly based framework for assessing demand and establishing priorities for skills development in Victoria.

Victoria's Framework for Establishing Priorities for VET integrates a comprehensive range of quantitative and qualitative information sources and key relationships. The framework provides structure to the processes for assessing demand and establishing priorities for skills development in Victoria.

The Research Program includes strategic planning and priority setting processes that will maintain strong relationships and continuous strategic dialogues with industry, the community and other Government Departments.

The Research Program will be:

- based on an analysis of a comprehensive range of quantitative and qualitative data/information sources
- systematic in its integration of data sources, intelligence gathering mechanisms and relationships to minimise duplication of effort
- forward looking in providing projections that can be modelled over a range of time horizons to give short, medium and long-term forecasts
- supported by deeper analysis of identified issues through research projects, and

- able to deliver a wide range of detailed output reports to support decision-making about goals and priorities.

The output reports will provide analysis of the impact of long-term trends, workforce characteristics, emerging skills needs in existing and new industries, and levels and patterns of demand and supply in the medium and long-term.

The new framework will also help to anticipate VET needs flowing from industry restructuring and redundancies. The VLESC will provide advice to the Minister for education and training that will aim to:

- ensure that there is a sufficient flow of new and replacement workers to address future skill needs resulting from structural change in the economy and from an ageing workforce
- overcome skills gaps and upgrade the skills of the existing workforce to boost productivity and support industry restructuring
- address future skill needs in key areas including biotechnology, advanced manufacturing, design, ICT and environmental technologies
- address the new skill sets needed for new and emerging industries and for innovation and knowledge creation in industry
- address the skill needs of priority groups including young people, unemployed and underemployed workers, people with disabilities, Indigenous people and those in disadvantaged communities.

The framework process will be implemented, and initial data on projected skill needs is expected to be available, during 2003.

Securing long-term sustainable financing arrangements in VET

As part of the second reference in the Ministerial Statement, the VLESC has been asked to provide advice to the Minister on securing long-term sustainable financing arrangements for VET.

The Victorian Government is seeking to improve the financing of VET in Victoria to ensure that our VET system is financially viable into the future and resources are directed to priority areas. The Office of Training and Tertiary Education (OTTE) is currently undertaking a project on the "Financial Sustainability of VET" to underpin the VLESC's advice to the Minister on this issue.

Since coming to office in 1999, the State Government has injected an extra \$250 million into the TAFE system. It has also made an election commitment to provide an additional \$60 million of funding over the next four years (2003-07) to improve access to TAFE.

However, there are limits to Government expenditure in the face of expanding demand for VET. While the State Government will negotiate with the Commonwealth Government for more funding to finance this growth, it is recognised that further Commonwealth contributions combined with State Government funding alone, may not be sufficient to meet the long-term financing needs of the VET system.

Minister Lynne Kosky MP has highlighted the need for increased investment in training in order to 'secure the financial future of a high-quality training system' and acknowledges the significant growth in demand for VET that has occurred to date, as well as the projected increased demand for VET in the future.

The Ministerial Statement points to the benefits that accrue to the public, individuals, businesses and industry from participation in VET. The Statement recognises that financing of training is a shared responsibility for government (both Commonwealth and State), industry, and individuals, and hence assigns roles to these three elements in improving the financing of VET. The Statement accords industry the primary responsibility for investing in training for the workforce. Government's role includes developing a more effective system of incentives to promote industry investment in training.

The Statement sets out a number of principles for future financial arrangements for VET. Such arrangements should:

- create greater equity between businesses and industries in the share of support they receive from the public purse
- involve more leveraging from some elements of public funding to increase the investment in training from businesses
- increase and make more equitable the contribution from students to their learning costs
- improve the relevance and responsiveness of VET; and
- better match private benefit and private contribution.

Industry Advisory Arrangements in Victoria

The May 2002 Commonwealth decision to cease its contribution to State industry advisory arrangements reduced the recurrent budget of the Victorian industry training advisory system by 40%. This decision has damaged collaborative approaches to industry advisory arrangements in a manner inconsistent with the ANTA Agreement, which is supported by the provision of robust industry advice to inform State and national planning.

The unilateral decision of the Commonwealth has the potential to undermine the industry led system at the State level. Whilst Victoria has maintained its Industry Training Advisory Bodies (ITABs), not all other States have been able to sustain this advisory system.

The VLESC believes that it is critical that industry remains a primary influence on decisions about the type and quantity of training provided through the training system.

The Victorian Review of Industry Advice on Training, undertaken by the Commission in 2002, made a series of recommendations that are now being implemented by the Government. These include the establishment of an Industry Advisory Committee, a restructured network of ITABs, a Research Program to identify skill shortages and forecast future skill needs and an Industry Relations Unit, located within OTTE.

Conclusion

The innovation economy creates the imperative to develop new strengths in fast growing industries while also building on our traditional strengths.

It is critical that the Victorian Government develop skill priorities that support key economic and social objectives, target skill shortages and gaps, and support restructuring, emerging industries and priority groups.

As the State Training Authority, the VLESC will focus on developing a high quality research and planning program for assessing demand and establishing priorities for skills development in Victoria, and a highly refined policy position on resourcing the system which encourages investment from industry, employers and individuals.