

## Chapter 7

# Resourcing Issues in Vocational Education and Training

### INTRODUCTION

The fundamental principle for resourcing the VET sector should be a responsiveness to demand.

The allocation of funding and resources for Vocational and Technical Education (VET) needs to directly focus on creating improved choice and diversity, efficiency, responsiveness, quality, flexibility, innovation and access and equity within training delivery.

In determining the future funding and resourcing needs of VET there are numerous factors to take into consideration. These include:

- the balance of public and private investment in VET, taking account of the efficiency of public investment;
- the roles of government, industry and individuals in funding VET;
- the degree of choice available to individuals and employers for training;
- building the capacity of regional providers to meet regional demand; and
- the changing social and economic environment and government policy on demand for VET.

### BACKGROUND

VET in Australia has undergone a dramatic reformation over the last decade.

Rapid economic growth and unemployment rates at a generational low have created critical skills shortages within many industries.

Access Economics, in its *Future Demand for Vocational Education and Training* report indicates an expected growth of 1.3% per annum in VET intensive occupations.<sup>1</sup> Particularly strong growth is expected in the areas of Business and Administration associate professionals (3.5% per annum) and Services and Personal Care (3.4% per annum and accounting for 32% of commencing Australian Apprentices in 2006), sectors heavily reliant on VET for

skills development. Continued growth in the traditional trades areas is expected to continue in the current resources boom, with the Traditional Trades areas accounting for 14.5% of Australian Apprenticeship enrolments for 2006.

The increased demand for higher level technical skills by industry is expected to continue as low skilled and non-skilled positions decrease. A significant shift in the Australian workplace has seen more jobs created that require higher level vocational qualifications or skills sets in addition to traditional trade level qualifications. There has also been a considerable growth in the number of positions that require a broader base of cross industry skills or the coupling of technical skills with “*soft skills*” or employability skills and higher level skills such as project management or business management.

Continued expansion of VET delivery is essential for Australia’s economic development. A 2003 Australian National Training Authority (ANTA) study found that VET hours would need an annual growth of 2.7% nationally between 2002 and 2010, in order to meet the needs of Australian industry.<sup>2</sup>

### CONSIDERATION OF ISSUES

#### Funding Responsibilities

Funding for the training system is primarily a State and Territory responsibility but federal arrangements apply in training. That is, the delivery of training across Australia is primarily the responsibility of the States and Territories although the Commonwealth plays a significant role in ensuring the system is responsive to emerging national economic and social priorities.<sup>3</sup>

States and Territories are responsible both for the administration and major funding of vocational education and training. In discussing a national approach and issues around national consistency, it is important to remember that delivery of VET is the responsibility of the States and Territories and their individual and collective support are essential in ensuring national strategic directions and goals can be met.

The three components of funding in the Australian training system are:

- State and Territory funding to cover recurrent and capital expenditure;
- Federal Government direct grant and targeted initiative funding; and
- other sources such as fees and charges made to students.

### State and Territory Funding

In 2005, the States and Territories provided \$2,619.4 million, more than half (55.6%) of total revenue for VET in Australia (see Figure 7.1).

Funding is used by States and Territories for training support and delivery, administration and general services, property, plant and equipment and student services. Further details of state and territory funding can be found in Chapter 6 of this Blueprint.

### Government Direct Grant/Targeted Initiative Funding

Government Direct Grant/Targeted Initiative Funding is funding that is intended for specific priority areas such as industry and government priorities, skill shortages and training needs of equity target groups. Funding is usually allocated via a competitive purchasing arrangement. Government Direct Grant/Targeted Initiative funding ideally targets the direct and immediate needs of business and enterprise in need of training outside of the User Choice programs.

The key value of Government Direct Grant/Targeted Initiative Funding is its potential flexibility and responsiveness to immediate needs of business. However,

the systems vary from state to state and have only limited availability and applications. Government Direct Grant/Targeted Initiative Funding would be an ideal system to fund higher level training for employees with existing qualifications who are often exempt from receiving User Choice funding.

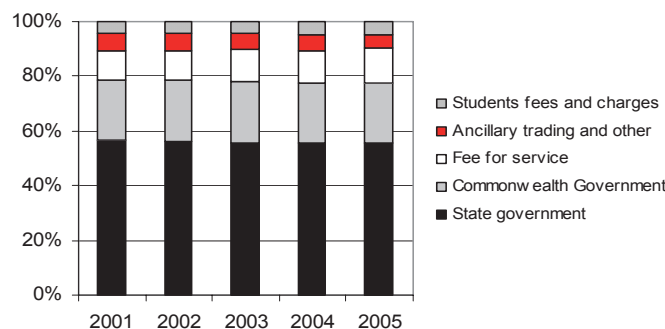
### Industry Contributions to Training

Australian industry has, for many years, been a strong supporter of training. Businesses have been free to train or not train in accordance with their business needs. The total contribution made by industry to training their employees is difficult to determine, no accurate figures are collected for the total industry contributions to training. With employees receiving accredited and non-accredited training, on-the-job and off-the-job training, workplace mentoring and releases to public and private providers, there is a significant distribution of funds.

Barrett and Smith in their article, *Mechanisms for Increasing Employer Contributions to Training: An International Comparison*, found that the level of employer expenditure on training in Australia, often assumed to be lower than that in other comparable countries, shows that levels compare favourably with those of countries often held as models for Australian policy and practice.<sup>4</sup>

NCVER research indicates that direct expenditure on VET training by industry in 2001-2002 financial year amounted to \$3652.7 million (NCVER 2005). This figure does not include the costs related to training, which include, but are not limited to, the cost of replacing the employee released for training, allowances relating to training (travel, accommodation, meals, some materials etc.), supervision of apprentices and trainees, mentoring and lost productivity as a result of the absence of the employee undergoing training.

**Figure 7.1**  
**Recurrent Revenue as a Proportion**  
**of the Total VET Revenues**



Source: NCVER, Funding and Financing Vocational Education and Training, 2005.

A separate NCVER Report, *Employers' Contribution to Training* (NCVER, 2004) puts the total investment by industry into formal and informal/in-house training at somewhere near \$30 billion per annum or an equivalent \$36.5b in 2007.

Master Builders Australia<sup>5</sup> estimates the average cost to an employer of an apprentice in the building industry to be \$128 000 over the four year indenture (Master Builders Australia, 2006), while the Government incentives for an Apprentice amount to between \$4,000 – \$6,000 over the four years. This clearly identifies that during the course of training there is significant cost incurred by business with little return on investment until after the completion of training (see Figure 7.2).

The Australian Bureau of Statistics report, *Employer Training Expenditure And Practices, 2001–2002* (ABS, 2003),<sup>6</sup> indicates that approximately 80% of employers provide training. Of this approximately 40% of employers provide structured training to their employees and a further 40% provide unstructured training. Eighty percent of the remaining 20% not providing structured or unstructured training believe their current employees are already adequately trained. Based on an analysis of this ABS data, only about 4% of

employers are not engaged in training or do not see it as a need for their business (see Figure 7.3).

The evidence clearly points to a high level of engagement and contribution on the part of employers in training for their skills needs.

## Costs of Training for Businesses

Incentives for businesses to provide accredited training would help to relieve the financial burden on business and ultimately help address skills shortages. Current levels of incentives for businesses under User Choice and Targeted Initiative Funding only meet a small proportion of the total costs of training.

Reform of current incentives for training is needed to streamline the payment framework, minimise administration and maximise the benefits gained from publicly funded training incentives.

## Incentive Arrangements

Incentive arrangements support employers in this financial

**Figure 7.2**  
**Total Cost of Employing an Apprentice in the Building and Construction Industry**  
**2006**

Year of Apprenticeship	Net Cost to Employer (excludes wages, net of incentives)	Total Cost to Employer (including wages, on-costs, supervision, training; not including rebates)
First Year	\$10,832	\$25,000
Second Year	\$12,073	\$30,000
Third Year	\$8,313	\$33,000
Fourth Year	\$1,791	\$40,000
Total	\$33,009	\$128,000

Source: Master Builders Association, 2006.

**Figure 7.3**  
**Employer Reasons for not Providing Structured Training**

Reason	%
Work is Unskilled/Does Not Require Training	11
No Suitable Training Available	4.6
Current Employees Adequately Trained	79.9
Recruited Training People	11
Employees Undertake Training at Own Expense/In Own Time	2.5
Cost Constraints	5.6
Time Constraints	5.9
Business in the Process of Closing Down	9.3
<b>Total</b>	<b>100</b>

Source: ABS, 2003.

commitment to training and need to reflect the commitment of industry. The principles of using incentives to encourage employer participation in training should be based on encouraging commencements and completions. They should also be flexible to reflect specific circumstances if the needs of industry change.

Similarly, incentives paid to employees should be based on the same principles.

There has not been a review of the framework of the financial incentives for quite some time. The approach taken has been to bolt on additional incentive arrangements to respond to specific issues as they arise.

The relativity of incentives for Tier 1 and Tier 2 pathways for existing workers as well as the relativity of incentives for certificate II level and also then for Certificate III and IV does nothing to address the changes in the skills environment since this structure was established.

The dramatic impact of an ageing population, rapidly escalating skill shortages, changes in the profile of the workforce, and changed policy settings need to be taken into account. Whilst incentives do have a focus on competency attainment through Qualification level, there also needs to be consideration given to qualifications with greater nominal hours which take longer to complete.

### **Marketing of Australian Apprenticeships System**

The Australian Job Network is charged with the responsibility to place job seekers into employment, whether they are fully Job Network Eligible or only seeking Job Search Services. However, Job Network does not have a financial incentive to place job seekers into Australian Apprenticeships. Nor does Job Network have the expertise and understanding of how Australian Apprenticeships operate within the Australian Qualifications Framework.

Other key providers such as RTOs and Group Training Organisations have the expertise but are also motivated by self interest. The Australian Apprenticeships Centres are contracted to promote the system and develop strategies to improve take-up of training arrangements. They have the expertise and yet there is only a 10% differential in payment arrangements for Tier II packages over Tier I arrangements. This makes no allowance for the additional workload and complexity of Tier II packages.

### **Structure of Incentives**

The Government has introduced new incentives for higher level qualification and also introduced wage subsidies for the Mid Career Initiatives targeting existing workers.

However, there needs to be consideration given to ensure that incentives reflect the complexity and commitment needed to achieve the qualification. The payment arrangement, based on competency attainment, needs to be maintained; however when qualifications have greater nominal hours which require longer durations to complete (i.e. over 2 to 4 year periods) there needs to be recognition of the associated costs born by the employer that should be off-set.

Given the complexity of mature aged new entrants and welfare recipients returning to work through training arrangements, there needs to be recognition of the complex issues facing these job seekers, their transition to work and the additional commitment made by the employer to ensure a sustainable outcome is achieved.

### **Skill Shortages**

The rapid changes affecting the structure of the workforce require sufficient additional incentives to encourage take-up into employment through Australian Apprenticeships. These shortages need to be identified via a formal mechanism such as the Migration Occupations in Demand List (MODL).

The additional incentive applicable to rural and remote locations should be expanded to accommodate the skill shortage occupations formally identified.

### **Completion Rates**

The non-completion of Australian Apprenticeships is unacceptably high. The huge disparity across occupations, particularly in traditional trades, is having a negative impact on industry productivity. Many non-completers are being sourced for positions in resource projects. Incentives need to be considered to address this issue and provide outcomes that support the employer and trainee/apprentice. The causes of non-completion also warrant further investigation.

### **Australian Apprenticeship Take-Up Rates**

There is greater need for increased take-up rates of Australian Apprenticeships in all occupations, particularly

sectors identified as experiencing skill shortage. It is worrying that instead of take-up rates increasing to meet growth expectations, the trend appears to have reached a plateau or is even decreasing (i.e. in Victoria a 14% decrease in July-December 2005 period to corresponding period to the end of December 2006).

### Training Levies

The Training Guarantee was introduced in 1990 as a result of concerns by the then Labor Government about businesses that did not train staff. The aim was to spread throughout industry the cost of training, rather than to rely on a proportion of firms providing the bulk of on-the-job training. The assumption was that the level of workplace skills development was sub-optimal since firms which did train could not ensure that staff would not be poached before a return on their training costs was realised. To spread the costs of training to the entire business community the Training Guarantee was introduced. Firms (other than small businesses) were expected to spend 1.5% of their total wage costs on training or pay any shortfall to the Tax Office.

It is generally regarded that a levy will not encourage business to further engage in training and can actually breed resentment and a cost culture of training in Industry. The Training Guarantee Levy created dysfunction within the VET sector by creating a fixation with supply side issues in public VET providers while not increasing uptake of training to any great degree.

### Individual Contributions to Training

The contributions of individuals undergoing VET remain relatively low. The total share of individual expenditure on VET through public providers has been in the range of 4.1 to 4.4% over the period 1995 to 2003 (NCVER 2004). Information on the contributions of individuals undertaking training through private providers is difficult to determine as private providers are not required to report fee-for-service training arrangements under Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS) requirements. The cost of training to individuals is considered to be significant, with tuition fees, materials and equipment and lost earnings for the duration of the training making a significant contribution to the total cost.

There is at present, no HECS (Higher Education Contribution Scheme) or FEE HELP (Higher Education Loan Program) loan system for individuals undertaking

VET at public or private providers. There are, however, concessional fee rates available from most TAFEs for pension recipients.

The Federal Government's recently introduced *Skills for the Future* (SFF) package will provide some relief of the burden for employed people who wish to undertake training.

### Fees and Student Contribution Scheme for TAFEs

Current models of funding depend on Annual Hours Curriculum (AHC) for delivering training. This makes a dollar connection to the volume of training in hours rather than the quality of the training outcome. For example, to study a Certificate IV at Swinburne, the charges that apply include:

- Tuition Fee (\$1.34 per student contact hour);
- General Service Fee (GSF);
- Materials Charges (where applicable); and
- Ancillary Fee (where applicable).<sup>7</sup>

In 2007 the Victorian TAFE tuition fee was \$1.34 per nominal student contact hour with the minimum fee of \$53 and a maximum fee of \$860 per year.<sup>8</sup>

Figure 7.4 shows NSW TAFE charges in 2007.<sup>9</sup>

Other costs apart from the TAFE NSW fee were:

- course-related charges;
- Student Association membership;
- an OTEN Student Materials and Handling Charge;
- temporary visa holders tuition fees;
- fees for commercial courses;
- licence fees;
- Commercial Recognition fees; and
- car parking (semester or annual fee).<sup>10</sup>

Or if an individual were to undertake *Restricted Split System Air Conditioning Installation* as part of a Certificate II in

**Figure 7.4**  
**2007 NSW TAFE Charges**

Qualification/Award	Annual Enrolment Fee \$(AUD)	Mid-Year Enrolment Fee \$(AUD)
Statements and Other Short Courses	328	164
Certificates I & II	384	192
Certificate III	600	300
Certificate IV	816	408
Diploma	1,086	543
Advanced Diploma	1,302	651

Source: <http://www.oten.edu.au/oten/enrolment/fees.shtm>.

Engineering Production (Air Conditioning) at Claremont Link Centre in Tasmania, the cost would be \$950.<sup>11</sup>

The Queensland Government advertises that “*TAFE Queensland students don’t pay HECS fees*”<sup>12</sup> and that the costs of programs are often considerably less than those programs offered by universities or private training providers due to Government subsidies. The total maximum standard offering Tuition and Student Services fee for a program of study in Queensland is \$1003.35

Part of the problem in some parts of the publicly funded VET system is that some students receive free training while some pay full fees. The current requirement to pay up-front fees for fee-for-service courses may disadvantage some students and may deter some students from taking higher level VET courses. Some students may take VET courses to avoid debt through HECS or FEE HELP at university as openly advertised on the Queensland Government website above.

Currently, the fee structure of VET is low compared to the fee structures in the higher education and to some extent the school sector. This is in part a reflection of the comparatively poor return on investment for undertaking training and the expected wage increases in relation to other education sectors. When added to the opportunity cost of time and lost wages in training, higher fees can act as a disincentive to undertake training for the individual.

A connected problem is the populist image of VET as a second-rate option with little understanding of career options and current industry trends. In particular there is a lag in community understanding and knowledge about the application of modern technology in some industries and of the new requirements of underpinning knowledge to undertake certain qualifications.

Despite the potential problems in determining what the real level of fees should be in relation to the effects on the

supply of students, the system cannot operate effectively without a fee structure to indicate what the value-for-money proposition is for different courses. If fees that truly reflect the costs of providing training were introduced, notwithstanding some level of government financial support in building social overhead capital, a companion system of fee help or loans for students would need to be introduced.

Without such a structure the danger of resource wastage is ever present, with little incentive on the part of some RTOs to improve their quality because of a lack of competition. Competition drives firms to become more efficient and to allocate resources more effectively. A market-driven approach to training includes a fee system for students and a fee help or loan system to support it.

Some stakeholders are concerned that the introduction of FEE HELP for fee-for-service students would be a precedent for the introduction of HECS in the publicly funded part of TAFE and that there would be less control of the level of fees, resulting in increases.

In fact, this would be the outcome in a market-led approach but it would be countered by increased quality and a more efficient distribution of resources.

There are some who believe there should be no fees at all for TAFE and that all education and training should be free. This is a philosophical argument and would involve a completely different resourcing discussion, meaning current government resources used for other purposes would need to be diverted to the education and training system. While this proposition holds some idealistic appeal, the reality is that a management approach to resource allocation is needed.

A model of fees, student contributions and loan support operates effectively in the higher education system. This model should now be used in the training sector. The use

of student vouchers, where government funding for places is given directly to students via a voucher, is an ideal way to make this model work.

### Learning Accounts and Bonus

Some form of incentives for individuals to undertake training has been debated in the public arena. One suggestion, broadening the tax deductibility criteria for individuals undertaking formal education and training, is an ACCI proposal suggested in Chapter 16.

Other proposals include a learning account, to which individuals, parents or employers would contribute. Another is the idea of a learning bonus, which could be paid upon the completion of relevant formal training.

In relation to learning accounts there is some merit in encouraging a system to fund an approach to lifelong learning, and various models could be considered. However, it is important that any scheme considered be voluntary and the contributions made are circumscribed for use on acquiring formal skills.

Therefore, a Learning Bonus is proposed which provides an allocation to an individual who completes a formal qualification at Australian Qualification Framework level 3 or above. The Bonus should not be limited to Australian Apprenticeships but rather be a simple financial incentive to encourage formal training in the workforce. The measurable outcome would be in the recognition of formal skills of the Australian workforce.

The level of payment would be equivalent to the relevant commencement amount for entry level training. Whilst there may be variations in the costs of training or in the amount of formal training required to complete a certain qualification, there would be no variation in the amount of the Learning Bonus payment. The current Skills for the Future program should be extended more fully to act as an incentive for individuals to take up training using qualifications from Training Packages since the application of a training intervention benefits not only the individual, but also an enterprise, their industry and the community.

Once instituted, an evaluation of the impact of the Learning Bonus scheme and its encouragement of formal training should be conducted by the Australian Government.

### VET Flexibility

One of the key components of an industry-led, demand-

driven VET system is the flexibility and responsiveness of the system as a whole. Flexibility in training delivery is essential for lowering the overall costs of training to both industry and the individual. Training that occurs on-the-job, or outside work hours, would significantly reduce the burden of lost wages for individuals and lost productivity for business. It is also essential to ensure that training is relevant to the needs of industry. As technology and work practices change, the content of training packages and the delivery methodology and resources of the RTOs must change with them.

### User Choice Funding

User Choice funding is the funding amount available for training Australian Apprentices (both apprentices and trainees) while indentured to an employer. User Choice funding enables employers and apprentices/trainees to determine:

- the structure and content of the training;
- where the training will be delivered;
- how it will be delivered;
- when the training will occur; and
- which trainer/facilitator will conduct the assessment of training.

User Choice was designed to provide choice, flexibility and a degree of ownership by the employer in regards to the training of the Australian Apprentice. Ideally, an employer would be able to choose the training provider and have significant input into the development of the training program of the Australian Apprentice.

Training authorities in each State and Territory decide which apprenticeships and traineeships are to be funded annually. The allocation of User Choice funds to learning areas takes into consideration:

- strategic initiatives that need to be addressed;
- changing demands for training;
- budgetary constraints; and
- qualifications with low enrolment numbers.

It is to be noted that TAFE institutes often receive User

Choice funding as a direct grant from the relevant State (or Territory) Training Authority (STA) while private providers are required to bid for funding under a competitive purchasing arrangement. The funding levels too vary across states and depending on the RTO. In some states, Enterprise RTOs (i.e. RTOs that are incorporated within other businesses) receive only 50% of the nominal hour funding of public providers.

User Choice funding is allocated against certain occupations; and the occupations it is attached to and the level of funding differs in all States and Territories. Often, User Choice funding is not available for “*slim market*” training areas (e.g. stone masons and bee keepers in some states), often areas that require skilled employees but are not part of a sizable industry base.

To meet the overall objective of User Choice funding, there needs to be:

- greater market power to individual clients including employers to negotiate with individual training providers;
- increased responsiveness on the supply side of the training market; and
- outcomes that are compatible with an efficient use of resources.

MCVTE and NQC agreed to progress work against national consistency to aid increased opportunity for competitive tendering. The overarching issue is recognition that to improve the quality and efficiency of training provision, effective competition between training providers is important. The required action includes the establishment of national unit price bands for User Choice funds for each Australian Apprenticeship.

Resourcing principles include:

- ensuring clear information is available to clients on the funding provided to each qualification by STAs and RTOs; and
- including a set of clear and transparent criteria to explain the rationale for determining prices for various qualifications.

It will be up to the NQC to evaluate the changes in price bands and other User Choice reforms to ensure flexibility and freedom of choice are truly available to participants in the

training system. Employers regard the full implementation of User Choice as a priority issue and as being fundamental to resourcing the nation’s training arrangements.

### Duplication of Bureaucracies

The National Training System maintains two levels of regulatory authority. Both the Federal and State and Territory Governments invest heavily in maintaining the separate bureaucratic functions of the National Training System. State level bureaucracies are replicated over the eight States and Territories. This can often lead to anomalies in the availability of funding and presents significant challenges to businesses and RTOs that operate across a number of states.

Each State and Territory maintains its own regulatory Authority for RTOs that conduct compliance audits for RTOs registered to deliver in that jurisdiction. Each State and Territory also maintains bodies that develop and accredit State and Territory based courses.

Competition for resources and staff between the ATCs and Trade Schools/VETIS programs is also an area of concern.

Better ways of achieving a nationally consistent approach to avoid the unnecessary duplication of resources and infrastructure is an area of future work. Complementary work in this area should also be undertaken to better target the use of Federal funding to integrate effectively with State and Territory based arrangements to get the best return on the training dollar.

### RPL and Mature Aged Workers

Continuing support needs to be provided for mechanisms that build the capacity of learners to enter the VET system such as a national recognition of prior learning system that is clear, easily understood and inexpensive to access.

Further resourcing to support the development of models to meet emerging needs such vocational learning for mature aged workers need to be factored into planning.

Research will be needed to understand why workers exit certain industries and whether access to vocational pathways might enable them to pursue other occupations within the industry or transfer more easily to a teaching role.

Consideration of ways to upskill existing mature aged workers while they are still in current employment should

also be made.

Tailor-made programs for individuals and industry need to be encouraged based on initial work already being undertaken and alternatives to apprenticeships and ways to fast-track need refinement and broader application in industry.

There will need to be a strong connection with the benefits of workforce development with access to specifically developed tools and promotion of the benefits of such.

As other trends and needs emerge, consideration needs to be given to the flexibility of current resourcing arrangements to respond to demand in a timely manner.

### Higher Level Qualifications and Funding

While there is a need for a higher level of skills to respond to Australia's technical needs, the danger in using qualifications as a proxy for skills is that unnecessary "credentials creep", where increasing numbers of professions require higher-level qualifications or the level of qualifications required is cranked up for a specific occupation, might ensue with basic level skills potentially neglected.

What Australia needs is a rigorous qualification system that assists students, employers and parents, is clearly understood and provides value.

The drive for higher-level qualifications needs to be tempered by ensuring that the importance and integrity of entry-level qualifications is maintained and that there is a place for making the connection between skills and experience gained in the workplace and workplace planning and development.

On 16 February 2006, COAG reached agreement on a package of measures designed to underpin a new, genuinely national approach to apprenticeships, training and skills recognition. The package seeks to alleviate skill shortages currently evident in some parts of the economy.

Likely impacts from this COAG human capital reform agenda in relation to qualifications will come specifically from:

- the necessity for an appropriate system to recognise overseas qualifications through a single, pre-migration offshore assessment process;
- portability and recognition of skills and training through

a new-look nationally portable Statement of Attainment to set out consistently and clearly for employers the competencies and skills a person has achieved;

- allowing intermediate or specialised qualifications as well as full apprenticeships through an examination of nationally portable qualifications for the residential building and construction industry to enable apprentices to have skills recognised at and below the full trade qualification;
- where there is industry demand, national training qualifications including identified skills sets; and
- an examination of the need for higher-level skills.

COAG also identified areas of future reform, including the need for higher level qualifications. Subsequently, the Centre for the Economics of Education and Training (CEET) produced a report *The Future Labour Market and Qualifications in Australia*,<sup>13</sup> which projected that the Vocational and Technical Education (VET) sector will need to supply a total of 2.47 million qualifications between 2006 and 2016. This analysis showed that if the 2005 pattern of supply continues over the next 10 years, by 2016 there would still be a shortfall of around 240,000 people with VET qualifications.

This shortfall includes 112,000 at Certificate III. To meet the required Certificate III shortfall will require an additional 2.4 per cent increase in delivery at this AQF level each year for the next decade.

The VET sector needs to support this increase in delivery at Certificate III while also delivering significantly more qualifications at Diploma level and above.

Funding arrangements must support competency-based progression for individuals and meet employers' needs for flexible training delivery.

Meeting future skills needs will require all current levels of spending to be increased in formal, accredited training, by governments, industry and individuals.

Strategic attention needs to be paid to interactions between funding arrangements and other sectors such as higher education and the school and community education sectors, and how State and Territory, regional and local needs can be met.

## Skills for the Future

The Federal Government recently announced a major funding package, Skills for the Future (SFF), that provides funding for training for those currently in the workforce. The total funding will amount to \$837 million over the five years from 2007.

Training Vouchers will be available for those who are currently employed and who have not completed secondary education and are over 25 years of age. The SFF will provide training vouchers of up to \$3,000 to complete secondary education, undertake training or undertake VET qualifications up to AQF II level. ACCI considers the use of a voucher system for this program as a major step in the right direction towards introducing greater market signals into the training market. It is the first time vouchers have been used at the national level in the training environment. Ultimately, the allocation of resources for training would be more efficient if a voucher system or greater market signals were used.

Raising the skill levels of those with the lowest level of skills accords with ACCI analysis that indicates the greatest skill gap impacting on business is where existing skills are already low. The economic benefits of lifting the skills of this particular group will result in higher levels of GDP, and a stronger skill base for the production of goods and services.

The SFF initiatives will also provide wage subsidies for older workers undertaking taking an Australian Apprenticeship. This initiative should relieve some of the burden on mature aged apprentices on training wages, which can be as low as 50% of the standard Trades wage in the first year. It should also serve to entice more mature aged people towards undertaking trades training as the reduction of income will no longer be as significant a barrier.

The SFF also provides employer incentives to provide higher-level skills. Employer incentives will be available for apprentices and trainees at AQF V and VI levels with a particular focus on engineering, technological skills and childcare.

## Human Resources in the VET Sector

ACCI supports structures that enable the best quality teachers to be engaged. Flexible industrial arrangements that include performance pay for VET teachers is one way to attract quality staff. This should be combined with a better defined career structure for TAFE teachers comparable to

other sectors, to encourage an ongoing development of quality and incentive to remain in teaching.

As the impact of the ageing population hits the TAFE sector, these measures will need to be considered as part of a workforce development strategy. Flexible mechanisms to support teachers, combining working in industry with teaching and/or engaging in 'return to work' programs, also need to be part of this strategy. Other options to be considered include developing professional development updates on recent developments in trade, which could also contribute towards attaining a master tradesperson status.

In addition policies need to be developed that encourage tradespersons to undertake training and assessment qualifications so that there is growth in the effective transfer between industry and training.

This arrangement could also provide a transition pathway for mature aged tradespersons and retain them in industry.

## ACCI PROPOSALS

ACCI proposes that:

- as a priority, User Choice be fully implemented and provide a fair distribution of funds between public and private providers;
- support be given to building a clear, easily understood and administered system for the recognition of prior learning as a means of encouraging learners to take up vocational qualifications;
- there be implemented a system of fees and HECS-type payments in the VET sector, along with a system of FEE HELP to accompany it;
- the Government investigate the use of student vouchers to support this system;
- under no circumstances training levies be reintroduced;
- the Government cost and evaluate the idea of a learning bonus;
- there be increased funding at all levels of qualifications to meet the needs of industry including higher level vocational qualifications and Diplomas and Advanced Diplomas in targeted skills areas attracting User Choice funding;

- in building higher level qualifications the entry level qualifications should not be raised inappropriately; and
- the skill outcome in terms of increasing employment and connectedness to the workplace must be the critical driver for participation in structured and accredited training and so opportunities for part qualifications and clustering of skill sets are equally important as higher level qualifications.
- there be increased funding of higher level vocational qualifications and Diplomas and Advanced Diplomas in targeted skills areas attracting User Choice funding;
- Governments review funding arrangements for Australian Apprenticeship Centres and enhance the marketing, promotion and take up arrangements for Australian Apprenticeships;
- Governments review current incentive arrangements to ensure that higher level qualifications have a structure which reflect the complexity and duration required to achieve competency;
- Governments review the structure of incentives to provide higher level of funding support to encourage employers to recruit welfare recipients into Australian Apprenticeships;
- Governments review skill shortage incentives available in regional and remote locations with a view to expanding them across all formally identified skill shortage occupations;
- changes due to the ageing of the workforce require the Federal Government to review the stipulation that Australian Apprentices are not eligible for incentives if they have ‘a prior qualification within the last 7 years’;
- Governments research non-completion rates and consider remedies which provide incentives for employer and trainee/apprentice;
- Governments investigate reasons for static take up rates and consider additional support measures to increase demand;
- the research into non-completion rates and static take-up rates be a shared government and industry responsibility as there are a range of factors that contribute to non-completions - administrative, training delivery, wage rates and employment experience;
- planning should be undertaken to encourage a workforce development approach to VET teachers including flexible working arrangements, performance pay, clearly identified career paths, ongoing training to maintain industry competence; and
- the numbers of teachers should be grown through providing tradespersons with access to training and assessment qualifications.

<sup>1</sup> Access Economics, 2004, *Future Demand for Vocational Education and Training*, DEST, Canberra

<sup>2</sup> ANTA, 2003, *Shaping Our Future, the National Strategy for Vocational Education and Training 2004-2010*, ANTA, Brisbane.

<sup>3</sup> Ibid, p 15

<sup>4</sup> Billett, S and Smith, A, 2004, *Mechanisms for increasing employer contributions to training An international comparison*, NCVER

<sup>5</sup> Master Builders Association, 2006, *Training for the Future, Master Builders Training Blueprint*, Master Builders Association, Canberra

<sup>6</sup> Australian Bureau of Statistics, 2003, *Employer Training Expenditure And Practices, 2001 –2002*, ABS, Canberra

<sup>7</sup> <http://courses.swinburne.edu.au/Courses/ViewCourse.aspx?mi=100&id=277>.

<sup>8</sup> <http://www.rmit.edu.au/programs/fees/tafe>.

<sup>9</sup> <http://www.oten.edu.au/oten/enrolment/fees.shtm>.

<sup>10</sup> <http://www.tafensw.edu.au/about/money.htm>.

<sup>11</sup> [http://www.tafe.tas.edu.au/courses/plumbref/short\\_courses.htm](http://www.tafe.tas.edu.au/courses/plumbref/short_courses.htm).

<sup>12</sup> [http://www.tafe.qld.gov.au/student\\_services/policies\\_guidelines/fees.html](http://www.tafe.qld.gov.au/student_services/policies_guidelines/fees.html).

<sup>13</sup> Shah, C and Burke, G, 2006, *The future labour market and qualifications in Australia*, Centre For The Economics Of Education And Training.

