

The Next Wave of Reform: Delivering the Goods

There has been a focus in recent years on the regulation and administration of the national training system to better improve quality. While these reforms were needed they will not amount to much unless there is effective delivery of industry needs on the ground. The Australian Industry Group believes that the next wave of reforms for the national training system need to focus clearly and specifically on ensuring genuine demand driven provision of high quality training solutions in a timely and efficient manner.

Ai Group welcomes the reform plans agreed to at the February 10 meeting of the Council of Australian Governments (COAG) as a key step in achieving this. The impact of the current tranche of COAG reforms needs to be directly experienced by both employers and individuals to be effective. To achieve reform in training delivery it is necessary to focus on freeing up the existing arrangements, securing stronger engagement by all parties in the system and delivering higher level and high quality skills.

What are the key areas of reform that are needed?

1. ***Removing structural impediments to the development of a client-focussed and responsive training system***

There are several important components to this key reform.

- ***Mutual recognition:*** A key impediment to a more responsive training system is the lack of recognition of trade qualifications across the different boundaries within the nation. This is especially the case in many of the licensed trades. Ai Group supports the establishment of more effective mutual recognition arrangements across States and Territories to achieve a more mobile workforce. It is important that this recognition occurs without the burden of any additional testing or registration processes. This needs to occur initially in the identified trade skills shortages areas before being extended to other licensed occupations.

Ai Group also supports the principle of more effective recognition of the skills of overseas migrants in skill shortage areas.

- ***Genuine competency-based delivery arrangements:*** For far too long the national training system has been held back by the remnants of a time served attitude to training. Long duration courses, especially trade apprenticeships, are a disincentive for

young people. It is time this was ended. A key reform for training delivery is to focus more sharply on the achievement of competency to industry standards rather than rely on a time served basis. Ai Group most recently advanced this idea with our policy on *Contemporary Apprenticeships for the Twenty First Century* announced in July last year. Such an approach enables apprentices and trainees to work in qualified trades as soon as they have demonstrated competency. This approach will enable apprentices and trainees to work as skilled tradespeople sooner and make an impact on meeting industry's needs and addressing skill shortages.

- ***Enabling School-based New Apprenticeships:*** The national take-up of the School-based New Apprenticeships pathway has remained limited and very unevenly distributed across the country and across the different areas of industry. A major cause of this is the differing award and industrial arrangements in the States and Territories which have acted as a brake on expansion. It is time to sweep all these barriers away to enable our young people to gain much better access to industry and especially the trades.
- ***Further improvements around recognition of prior learning (RPL) and recognition of current competence (RCC):*** The starting point for a highly skilled workforce is the proper recognition of the existing skills base. Despite the advances in the national training system over the last decade the recognition of prior learning remains poorly understood, difficult to implement and too costly for industry. The RPL and RCC arrangements need to be urgently overhauled to make the most of the existing skills in the workforce and to avoid unnecessary repetition of training. It is important to support critical national work to achieve a cost-efficient and timely recognition system. This should include a recognition model as a mandatory commencement point for Adult Apprenticeships, the exploration and implementation of models that relate to the needs and requirements of industry sectors and organisations and a fresh look at incentive payments linked to these models.

2. *More effective competition between training providers*

Further steps need to be taken to remove restrictions to make training providers more responsive to the needs of industry. There needs to be more business focussed governing structures for TAFE colleges to enable a better focus on outcomes and commercial fee for service arrangements. There needs to be a shift from the dominance of supply side arrangements to a more industry demand driven system – a training system genuinely responsive to the needs of a highly skilled workforce.

In the recently released *World Class Skills for World Class Industries* report employers highlighted the difficulties of accommodating training around work

demands. Many employers drew attention to the lack of training flexibility and the unavailability of relevant training. Training for small companies remains problematic. It is often not specific to the needs of the company and does not provide cost efficient access for the employees in such workplaces. There is a need for increased VET workforce development through professional development programs designed to assist in the provision of more effective competition. The desirable outcome is for stronger and more effective relationships to be built between industry and training providers.

3. Higher level skills

The Ai Group landmark report *World Class Skills for World Class Industries* graphically illustrates that building the skills base is a major strategy identified by companies as essential for remaining competitive in the global economy. The rapidly changing face of Australian workplaces means we have different skill needs now. Skills need to be both broader and deeper. Industry is demanding a higher level of skills, frequent updating of skills and excellent 'soft' as well as technical skills. There has been too much concentration in recent times on entry-level training – this is only a part of overall skilling in Australia. A new and different apprenticeship model is needed for higher qualification levels – the Diplomas and Advanced Diplomas. Ai Group has been at the forefront of this change with the successful introduction of the Technology Cadetship. Ai Group has also pioneered award variations enabling higher qualification outcomes, flexible entry & exit points as part of apprenticeship arrangements in the metal & engineering sectors.

Employers regularly tell the Ai Group that they need the training of their workforce to be in the workplace and specific to their needs. This often means that full qualifications are not immediately needed but rather the delivery of meaningful clusters of skills or "skill sets". There is a need to move to the recognition of intermediate qualifications as well as full apprenticeships. Skills need to be more frequently updated in smaller 'tailored' amounts of training. The development and recognition of such skill sets must also provide pathways to full qualifications. It will be increasingly important for training providers to offer these in response to expanding industry demand.

4. Increase investment in VET

There is an urgent need to increase the overall level of expenditure on education and training to improve the Australian skills base. The *Manufacturing Futures* research undertaken by the Ai Group indicates that Australia's expenditure on educational institutions as a percentage of GDP is less than the OECD average. Research undertaken by the NCVET also indicates that real expenditure per hour for VET has declined in recent years. This is not a satisfactory national position in the face of increased competition in the global economy.

Increased expenditure is not the sole responsibility of government. Recent research undertaken by Ai Group demonstrates that that almost half of the surveyed employers intend to increase expenditure on skill development over the next three years, in some cases by almost 30%. Funding the skilling of Australia needs to be a shared effort. Employers have flagged their intention to boost their training effort – now governments need to do the same

especially by providing financial support for employer investment in post-entry level training.

5. Review funding mechanisms

As well as increased overall funding for training there is an undeniable case to review funding mechanisms to achieve the necessary reforms in the delivery of training. The need to change the emphasis from supply to demand driven training goes hand in hand with the need for an outcomes based funding model. More buying power needs to be given to the consumers in the training market. A large majority of the public subsidy of training currently goes to providers rather than consumers. The allocation of government funding is also skewed towards government providers and this creates a barrier to entry for private providers. This in turn reduces the choices for employers in the training market especially in post-entry level training which is more likely to be employer funded. There is a current bias against training the non-entry level members of the existing workforce.

Another look at funding mechanisms needs to include a revision of the User Choice funding arrangements. Less than 20% of government VET funding is allocated through User Choice. This proportion of funds allocated through User Choice needs to be reviewed and restrictions on their use removed to provide genuine choice for employers. In order to expand and improve Australia's skill base all options for modern funding mechanisms need to be considered including co-financing.

Financial incentives from the government are largely concentrated at the entry level to support the implementation of apprenticeships. The highly competitive environment of today requires more regular reskilling and the continued development of higher level skills. The *World Class Skills for World Class Industries* report indicates that over half of the surveyed employers claim that insufficient financial incentives from the government act as a barrier to the upskilling of non-apprentice employees. Incentive payments should be reconsidered for adults and existing workers. There is an opportunity here for governments to be innovative and consider the use of the tax system to provide more incentive to employers to invest in training. Tax deductibility for training expenses has been utilised by other OECD countries and this should now be investigated for Australia.

6. Commitment to quality training

The commitment to a quality training system not only needs to be maintained but the introduction of a national outcomes-based auditing model needs to be accelerated. As a part of this reform the Australian Quality Training Framework standards need to be reviewed and a sharper focus placed on quality skills outcomes as recommended by COAG. The results of the surveyed employers reported in the *World Class Skills for World Class Industries* report indicate that there is room for improvement in the assessment processes for formal skills. A more systematic approach is required which includes a wider range of learning options and the integration of this planning with other business processes. Ai Group will continue to demonstrate its commitment to quality training by assisting employers with information, advice, tools and examples of best practice to achieve this.

7. Maintain focus on skill shortages

The Ai Group supports the COAG recommendation for funding to be made available for a regional program to improve the shortage of skilled labour in strategically important industries and regions. Linked to this is the need for governments to establish new labour market data sharing arrangements to improve our understanding of skills shortages. Both the *World Class Skills for World Class Industries* report and the *Manufacturing Futures* report identified the inability of companies to secure skilled staff as a major barrier to success over the next three years. This is particularly the case for the trades, technicians and paraprofessionals and engineering professionals. Employers continue to face both skill shortages and skill gaps.

The Australian Industry Group is committed to cooperating with governments in the essential task of skilling the Australian workforce to achieve global competitiveness. The next wave of key reforms needs to focus on the improvement of the identified aspects of training delivery so that the national training system is genuinely responsive to the needs of industry. The Australian Industry Group embraces this challenge and urges all governments to help deliver the goods.