

**Manufacturing Skills Australia's
submission to
the House of Representatives
Committee:**

***Inquiry into the role of Technical and
Further Education system and its
operation***

Bob Paton

Chief Executive Officer

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This submission has been prepared by Manufacturing Skills Australia under the Terms of Reference set out for the House of Representatives Committee Inquiry into the role of Technical and Further Education system and its operation.

Manufacturing Skills Australia (MSA) is the national Industry Skills Council recognised by the Australian Government to ensure that the skill needs of manufacturing enterprises are being met. It is responsible for workforce development initiatives which include providing industry intelligence and advice to inform government policy, supporting the development, implementation and improvement of nationally recognised training and qualifications, and providing skills and training advice to individual enterprises to assist with training and development processes.

Our vision is to be the pre-eminent organisation in Australia fostering and advocating for the workforce skill development needs of a thriving industry. We provide bi-partisan leadership and value the empowered and informed input of industry stakeholders. We strive to provide high quality information and workforce development resources to support the participation of industry in developing an innovative, highly productive and globally competitive manufacturing industry.

MSA is funded by the Australian Government through the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education and works closely with the Australian Workforce and Productivity Agency (AWPA), industry associations, unions, training providers, government agencies and employers to continually evolve and improve skills for manufacturing.

Contact for this submission:

Bob Paton
Chief Executive Officer

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www.mskills.com.au

Executive summary

As the Industry Skills Council with the national responsibility for providing advice and assistance on skills needs, workforce development strategies, and oversight of the Training Packages relating to the manufacturing industry, MSA has had the opportunity to work closely with Technical and Further Education (TAFE) providers throughout Australia. As stated in the Terms of Reference¹

TAFEs have played a critical role in the training and development of Australians for more than one hundred years. For many Australians, TAFEs provide a critical pathway to training and skills are increasingly needed to access employment. They also play a critical role in regions and in providing access for disadvantaged groups.

MSA endorses this statement and strongly argues that this remains a central tenant of the TAFE system in Australia and is especially important in today's reality of rapidly changing employment opportunities, skills shortages, high unemployment and low labour force participation.

Australia needs a flexible, high-skilled and innovative workforce if we are to remain competitive in the global economy. The TAFE system plays a crucial role in this, especially in providing skills through the Australian Apprenticeship system, opportunities for disadvantaged learners and meeting skills needs in regional areas. It is important that TAFE continues to provide these services and be funded appropriately to do so.

One area in which the TAFE system has struggled is in meeting the rapidly changing needs of Australian industry as it undergoes a period of intensive structural adjustment. New technologies are demanding new skills and the growth of the resources sector in regional areas is putting demands on a TAFE system in geographical and skill areas where often the necessary educational and human capital resources are not available or have not been considered. The organisational structure of the TAFE system makes it slow to respond to these demands, which is resulting in increasing criticism of TAFE organisations. One commentator said, "Changing vocational education and apprenticeship systems is a bit like trying to turn an ocean liner..."² The same can be said for the TAFE system.

It could be argued that the move to a competitive training market and user choice funding models are tools to make the TAFE system more flexible and responsive to industry needs. MSA has concerns around these models are drivers of change.

¹ Parliament of Australia, House of Representatives Committees, *Inquiry into the role of Technical and Further Education system and its operation*

http://www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=ee/tafe/tor.htm

² Editorial, Vocational training needs fine-tuning, *The Australian Financial Review*, published 16 January 2013
<http://www.afr.com/Page/Uuid/b6238742-5eba-11e2-ae68-f1c4b3e72d54>

Preamble

MSA welcomes the inquiry into the Technical and Further Education (TAFE) system in Australia and believes this review is timely given the significant changes that are taking place in the Australian economy.

“...TAFE institutes are the bedrock of the national VET system, offering vital programs in industry areas and geographical locations that other providers would find problematic.” (pg. 15)³

According to the Australian Workforce and Productivity Agency (AWPA), “There is a widening gap between the expected supply of higher level skills and expected industry demand.”⁴ The TAFE system must be an essential part of any and all plans to address this gap.

The TAFE system in Australia has a long history, being able to trace its beginnings to the Sydney Mechanics’ School of Arts in 1833. As such it predates Australia’s higher education system (the University of Sydney was opened in 1850). It grew from the need to train unskilled convicts for life in the new colony. Even then the view held was that education should not only provide skills for employment, it should also enrich society with courses in popular music and dancing as well as public lectures being held.⁵

The embodiment of the TAFE system are the various publicly-owned and operated TAFE institutes and campuses located in each state and territory, operating under different jurisdictional arrangements. The majority of funding (approximately 70% in 2011) is provided by the respective state and territory governments with the Australian government providing the remainder of funding.⁶ Student enrolments at TAFE providers are estimated to account for approximately 55% of vocational education and training (VET) sector enrolments⁷.

The role played by TAFE in the development of skills in the Australian economy

The role TAFE plays in the development of skills in the Australian economy should not be underestimated. In particular, the role that TAFE plays in supporting the Australian Apprenticeship system must be acknowledged and supported through this inquiry.

According to the National Centre for Vocational Education Research (NCVER), in 2011, there were 1.2 million people (66%) undertaking training through the TAFE system in Australia. Of these 187,264 were undertaking contracts of training through the Australian Apprenticeship system. 719,589 people participating in training through the TAFE system were in employment.⁸

320,190 people commenced a Contract of Training under an Australian Apprenticeships arrangement in 2011⁹. The percentage of people undertaking contracts of training and completing the off-the-job training component through the TAFE system was just under 50%.

³ Australian Workforce and Productivity Agency, 2013, *Future focus: 2013 National Workforce Development Strategy*, Commonwealth of Australia

⁴ Ibid, pg. 9

⁵ TAFE NSW, *Our history* https://www.tafensw.edu.au/about/our_history.htm accessed April 2013

⁶ Productivity Commission, 2013, *Report on Government Services 2013*, Vocational Education and Training, Table 5A.4

⁷ IBISWorld, 2013, *P8101 Technical and Vocational Education and Training* pg. 5

⁸ VOCSTATS, *Students 2002-2011 (Revised 31/08/12)* accessed April 2013

⁹ VOCSTATS, *Apprentices and trainees – September 2012* accessed April 2013

The TAFE system is the major user of national Training Packages. In 2011, 863,969 people were undertaking training from a national Training Package through the TAFE system. This accounted for 62% of all Training Package activity in 2011.

MSA currently has responsibility for 11 industry Training Packages, with each including many different qualifications from Certificate I through to Graduate Diplomas. In 2011 there were 96,856 people undertaking training from these Training Packages. 70% of people were undertaking this training through the TAFE system. In relation to Australian Apprenticeships, 27,916 people (or 62%) completing the off-the-job component of their Australian Apprenticeship in occupations under MSA's coverage were doing so through the TAFE system.

12,669 people commenced contracts of training in occupations that were designated as "Traditional Trades" using qualifications from MSA's Training Packages. A further 10,858 contracts of training were commenced in non-trades qualifications such as process manufacturing.¹⁰

Of the Traditional Trades commencements via the Australian Apprenticeship system, 9,479 were in the skill shortage area of Engineering. By 2016, it is predicted that there will be a shortfall of 6,000 technical and trade engineers in Australia.¹¹ Engineering is one of the skill areas most at risk under the entitlement models being introduced by the various state governments. It requires an investment in technology and equipment that many private VET providers cannot provide. When TAFE institutions were previously funded directly, courses that required a lower level of infrastructure expenditure were used to offset the costs of engineering infrastructure.

A further 37,000 professional and management engineers will also be required. The TAFE system provides pathways for people to transition from VET to higher education and as more TAFE institutions develop partnerships with universities, these pathways will increase and become easier to access.

As well as the vital role TAFE plays in the development of skills in the Australian economy through national Training Packages and the Australian Apprenticeship system, TAFE also plays a vital role in reskilling and upskilling the workforce. In 2011, of the 1.1 million employed students studying through the VET system, 50% had previously participated in the education system, either through the school system or the tertiary system. 72% of these students were studying at TAFE.¹²

The major criticism in relation to the role TAFE plays in the development of skills in the Australian economy is directed at policy which is largely focussed on inputs (i.e. nominal hours of training activity) rather than outcomes (completions). In 2011, completion rates for Australian Apprentices were 57.3% for trade occupations and 54.4% for non-trade occupations¹³. If the TAFE system is to continue to play a major role in the development of skills for the Australia economy, these completion rates need to be improved. The Australian Workforce and Productivity Agency (AWPA) is recommending an annual expansion rate in qualification completions of at least 3% per annum to meet the needs of industry for skilled workers¹⁴.

¹⁰ Ibid.

¹¹ Manufacturing Skills Australia, 2013 *Environmental Scan: A new era for manufacturing*, pg. 12
<http://www.mskills.com.au/Info.aspx?TAG=MSA.Info.EnvironmentalScan>

¹² VOCSTATS, *Students 2002-2011 (Revised 31/08/12)* accessed April 2013

¹³ National Centre for Vocational Education Research, 2012, *Australian vocational education and training statistics: apprentices and trainees 2011 – annual*, NCVET, Adelaide

¹⁴ Australian Workforce and Productivity Agency, 2013, *Future Focus 2013 National Workforce Development Strategy*, Australian Government, Canberra

The role played by TAFE in the development of opportunities for Australians to improve themselves and increase their life and employment prospects

Historically the TAFE system has been the leading provider of opportunities for Australians from all walks of life to improve themselves and increase their life and employment prospects. In 2011, 1,670,361 people enrolled in publicly funded courses at TAFE institutions in Australia. This was 72% of all enrolments in publicly funded training in Australia. 32% of the TAFE students had already completed study at Certificate III level or higher.¹⁵

Less than 20% of TAFE students give employment related reasons as their main reason for studying. Furthermore TAFE graduates are three times more likely to undertake a second or subsequent TAFE qualification as the number who enrol at a university.¹⁶

When examining the reasons for undertaking training, students undertaking training at TAFE and other government providers gave the following reasons:

- Get a job 18.8%
- Develop an existing business 2.2%
- Start my own business 2.7%
- Try for a different career 8.8%
- Get a better job or promotion 6.1%
- To get into another course of study 5.1%
- To improve my general educational skills 11.0%
- To get skills for community/voluntary work 2.0%
- To increase my confidence/self-esteem 2.4%

Just over a third of students indicated that they were undertaking training for reasons that were solely to do with their current employment. Only 18.7% of students said that they were undertaking training as a requirement of their job and 17.9% identified that they were undertaking training to gain extra skills for their current job.¹⁷

As can be seen by these statistics, in 2012 over three quarters of students who undertook training at TAFE or other government providers were doing so to improve themselves and increase their life and employment prospects. Compared with private providers where 45% of students were undertaking training that was solely to do with their current employment, TAFE plays a significant role in providing Australians with opportunities to improve themselves and increase their life and employment prospects.

Nearly 20% of students were undertaking training so as to obtain employment. Increasing labour force participation is critical if Australia is to participate effectively in the global economy.

¹⁵ VOCSTATS, *Course enrolments 2002-2011 (Revised 31/08/12)* accessed April 2013

¹⁶ Christie, P, 2009 *TAFE Today – a review of the role of TAFE and its closer ties with Universities*
http://www.tda.edu.au/resources/Pam_Christie_Speech-Higher_Congress.pdf

¹⁷ VOCSTATS, *Student Outcomes Survey 2012* accessed April 2013

The role played by TAFEs in the delivery of services and programs to support regions, communities and disadvantaged individuals to access training and skills and through them a pathway to employment

The important role of the TAFE system in the delivery of services and programs in regional areas and in supporting communities and disadvantaged individuals must be acknowledged and supported as part of this inquiry.

In 2011 there were 1,239,586 students attending TAFE. This was two thirds of all students participating in publicly funded training in Australia. 43% of those students came from regional and remote areas of Australia, highlighting the importance of the TAFE system in meeting the needs of regional areas. If the Socio-Economic Index for Areas (SIEFA) is applied to this data, 15% of students at TAFE were identified as belonging to the “Most disadvantaged” quintile (quintile 1). In remote and very remote areas, the percentage of students identified as being within this quintile at TAFE jumps to 30% in remote areas and 50% in very remote areas.¹⁸

The TAFE system also plays an important role in providing support for learners from specific equity groups such as Indigenous learners, learners with disabilities and learners from non-English speaking backgrounds.

In 2011, just under 5% of all learners enrolled in publicly funded training identified themselves as Indigenous. 65% of them were participating in training at TAFE. It is important to note that 7% of students did not complete this section of the enrolment form. However students enrolled through the TAFE system were more likely to identify their Indigenous status with less than 6% choosing not to complete this section.¹⁹

Learners with a disability are more likely to be enrolled at TAFE with 70% of learners in 2011 participating in training through a TAFE course. Within the student population undertaking training, the proportion of students with a disability choosing TAFE (70%) was higher than the proportion of all students choosing TAFE (66%). A similar picture was presented for students from non-English speaking background with 71% of this cohort choosing to study in the TAFE system.

Mixed field programs include literacy and numeracy, learning skills, career development job search skills and work practices programs. These programs provide the foundation skills needed to enable effective participation in the workforce. As such, they are essential programs if Australia is lift its workforce participation rate to 69% in line with AWPAs recommendation. Furthermore AWPAs recommends that efforts be increased to support people experiencing disadvantage with a focus “...on helping them to access learning and support that will build to sustainable work” (pg. 67).²⁰

In 2011, 2.6 million students were undertaking programs of training that were classified as “mixed field”, that is they were participating in programs that did not have a direct occupational outcome. 67% of those students were undertaking these programs through the TAFE system. 17% of students in these programs were identified as coming from the most disadvantaged quintile of the SEIFA. 69% were enrolled through the TAFE system. A fifth of students were participating in literacy and

¹⁸ VOCSTATS, *Students 2002-2011 (Revised 31/03/12)* accessed April 2013

¹⁹ Ibid.

²⁰ Australian Workforce and Productivity Agency, 2013, *Future Focus 2013 National Workforce Development Strategy*, Australian Government, Canberra

numeracy programs, of which 83% were at TAFE. Of the 1.6 million students undertaking programs in Work Practices, 58% were enrolled at TAFE.

As can be seen by this data, TAFE is vital to the delivery of services and programs that enable learners from regional and remote areas of Australia and also learners experiencing social disadvantage, from Indigenous or non-English speaking backgrounds or with a disability to access the skills and training necessary to obtain employment.

MSA is concerned that the changes to funding arrangements at state level will impact significantly on TAFE's ability to continue to deliver services and programs to support regions, communities and disadvantaged individuals to access training and skills and through them a pathway to employment. However it is important that these programs lead to engagement in employment or completion of vocational qualifications that lead to employment.

The role played by TAFEs in the operation of a competitive training market

The past 20 years have seen significant changes in the environment in which the TAFE system operates. One of the most significant has been the move to a competitive training market and the growth of private registered training organisation (RTOs). In 2011, there were 3,026 RTOs delivering training at 20,203 locations. 62 organisations were TAFEs who were delivering at 1,139 locations.²¹

Until the opening up of the training market to competition, TAFE was the sole provider of vocational training in Australia. Due to being publicly funded, TAFE has been able to develop the infrastructure and resources to maintain its market dominance. This has resulted in the private RTO sector complaining of an "uneven playing field" as they could not compete with TAFE in areas which required specialised equipment and technologies or where economies of scale were necessary for training to be viable.

Anecdotal evidence received by MSA from industry also points to there being a degree of inflexibility within the TAFE system that makes it difficult for individual institutes to be responsive to local industry and economic conditions. Industry also is demanding a move to a training delivery and assessment model that largely takes place more in the workplace rather than off-site. The ability of private RTOs to be able to respond to industry demands is seeing these RTOs rapidly increase their market share.

At the same time, state governments are moving to a student entitlement model. As these changes in funding arrangements take effect, it is expected that TAFE institutions will shut down or rationalise their campuses and cut numerous courses²². Already MSA has heard of courses being cut in vital niche areas such as boatbuilding in Victoria²³. As part of its response to the Queensland Skills and Training Taskforce report, the Queensland government has announced that a number of campuses will

²¹ Productivity Commission, 2013, *Report on Government Services 2013*, Vocational Education and Training, Tables 5A.3 and 5A.4

²² IBISWorld, 2013, *P8101 Technical and Vocational Education and Training*, pg. 4

²³ Manufacturing Skills Australia, 2013 *Environmental Scan: A new era for manufacturing*, <http://www.mskills.com.au/Info.aspx?TAG=MSA.Info.EnvironmentalScan>

close and some will be sold as the government moves to “rationalise assets that are no longer required”.²⁴

While MSA acknowledges the need for a TAFE system that is flexible and responsive to an industry-led VET system, there is deep concern that the changes being implemented to funding models will directly impact on TAFE’s ability to continue to provide services and programs in regional areas, and for equity groups.

The role played by TAFEs in those jurisdictions in which State Governments have announced funding decisions which may impact on their operations and viability

We have already seen evidence of course and program closures in Victoria such as the rationalisation of programs at Victoria University that saw withdrawal of their boatbuilding offering and the decision to discontinue the Engineering – Mechanical Trade Program as announced by the RMIT University’s School of Engineering TAFE division in late 2012. These have been attributed to the TAFE funding cuts made by the Victorian government.

As mentioned above, MSA holds grave concerns on the future viability of relatively high-cost VET programs such as those in engineering if this cost-cutting continues. Other closures have been flagged and, while there is often room for improvement by some degree of rationalisation, continuation of this may lead to a situation where development of skills that are critical to our economy may no longer be available in the public domain.

A further impact of the student entitlement model roll-out in Victoria was the significant reduction in publically funded student places in higher VET programs. While many Diploma and Advanced Diploma programs are aimed at furthering VET studies, many of them are directly relevant as entry-level qualifications for some occupations such as engineering technicians. Others are used for both business and personal development in key areas such as environmental sustainability. It seems to MSA that the opportunity for strategic market intervention by governments may be lost if the simplistic model of general student entitlement funding continues.

Our final thoughts on this are that the significant public investment in the publically owned TAFE system should provide a benefit for the whole community, of which industry is one part. The development of a wider market in vocational education and training through policy changes that provide for privately owned RTOs to operate is not in question. However, public investment in vocational education and training infrastructure and establishments should be used to maximise benefit for all. This investment needs to be done wisely and be supported by an economic rationale. That rationale must embrace the needs of all under the charter of a public TAFE system, and in equitable ways.

²⁴ Queensland Government, 2012 *Government response to the Queensland Skills and Training Taskforce final report*, <http://training.qld.gov.au/resources/industry/pdf/government-response.pdf> accessed April 2013

Appendix A

Student characteristics 2011*

	Apprentice/ trainee status	Regional (inner/outer)	Remote and very remote	SEIFA quintile 1 (most disadvantaged)	Indigenous	With a disability	From a non- English speaking background	Total student population
TAFE	187,264 (48%)	472,303 (67%)	58,184 (72%)	181,539 (65%)	56,889 (65%)	83,111 (70%)	207,143 (71%)	1,239,586 (66%)
All publicly- funded providers	388,787	702,331	80,311	277,700	87,705	119,371	293,002	1,881,901

*Includes data for non-nationally accredited training

Source: VOCSTATS, *Students 2002-2011 (Revised 31/08/12)* accessed April 2013

Appendix B

Students in mixed education programs 2011

	Publicly funded – TAFE	Publicly funded – Other Govt	Contestable funded – ACE	Contestable funded – Other	Total
Literacy and Numeracy	440,464	6	68,808	19,336	528,614
Learning Skills	173,259	145	3,270	8,265	184,939
General Education nec	154,965	9,367	23,169	11,195	198,696
Career Development	23,866	31	3,797	4,247	31,940
Job Search Skills	12,381	61	3,057	2,380	17,879
Work Practices	929,773	3,603	46,516	624,160	1,604,052
Employment Skills nec	42,512	6	9,187	7,151	58,856

Source: VOCSTATS, *Students 2002-2011 (Revised 31/08/12)* accessed April 2013