

**Submission to the Senate Employment, Workplace
Relations and Education References Committee**

Current and Future Skills Needs Inquiry

**by the Victorian Industry Training Advisory Board
Association**

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INTRODUCTION

This submission seeks to address a number of issues raised by the Terms of Reference for this inquiry. In particular, it focuses on:

- The ability of current VET programs to meet industry needs with a particular emphasis on examining the New Apprenticeship and VET in schools programs;
- The capacity of industry advisory arrangements to address and forecast skill needs within the current environment of proposed changes to national ITABs and withdrawal of funding to state ITABs;
- The range and quality of programs and policies targeted at dealing with the effects of changing technologies, industries and working patterns.

The Victorian ITAB association is pleased to provide input into the Senate Inquiry into Current and Future Skills needs. This paper briefly outlines a number of issues that are common to all industries represented by the Association. Of primary concern is the ability of both the national and state industry advisory arrangements to provide high quality advice given the current funding constraints and uncertainty. We wish to draw the committee's attention to the potential impact the under-funding of the bodies currently providing industry advice will have on the government's capacity to forecast and meet skills shortages. Being in the unique position of representing both employers and employees and interfacing with the VET training system, we feel that our submission gives a unique insight into the capacity of the current system to forecast and meet skill shortages.

ABOUT US

The Victorian ITAB Association is focused on providing quality training outcomes that guarantee a skilled and flexible workforce for Victorian industries.

This is achieved when vocational education and training (VET) is industry driven and training resources are allocated on the basis of authoritative advice provided by the ITABs.

Our approach to ensuring our advice to Government, the national training system and industry is credible, is to maintain extensive and ongoing consultation processes that attend to customer needs. Under the governance of senior industry leaders representing government, employers and unions, we seek the views of industry at all levels: individual enterprises, peak associations, and government, throughout regional and metropolitan Victoria. In this way industries' needs and views are represented in all our work.

Our key goals relate to the creation and maintenance of the training system and having an industry that values training. The primary goals are:

- A system that supports lifelong employability
- Industries with a healthy learning culture
- A well-resourced, efficient and effective training system

The three key goals are underpinned by our mission, objectives, and driven by the socio-economic reality that government and business can no longer promise its people life long employment. Despite this, with a culture of lifelong learning and transferable skills, enterprises and individuals can ensure that all people have the promise of lifelong employability.

- **A system that supports lifelong employability**

In partnership with National and State governments, National ITABs and industry, the Victorian ITAB Association works to create a system that supports lifelong employability and learning. A system that encourages mobility in the workforce and allows people to smoothly and efficiently change careers and change employment pathways is essential to the workforce of the future. We work to support lifelong employability.

- **Industries with a healthy learning culture**

We aspire to achieve a healthy learning culture in industry by promoting the benefits of training. Through participation in the State Training Awards, training and industry conferences, regional consultations, research projects, and through the information we disseminate through our newsletters, publications, and web pages.

- **A well-resourced, efficient and effective training system**

We ensure that training resources are targeted to the region and Australian Qualifications Framework skill level appropriately, on the basis of our extensive consultations with industry and research activities that together form the foundation of our authoritative advice. In particular we ensure that industry sees training as a benefit rather than a cost and a critical component in positioning themselves to provide best possible services and products.

We bring about lifelong employability by creating a learning culture in which the system looks to maximise value and encourage investment. An efficient and effective training system is considered to be an essential ingredient to encourage and enable industry to invest in their peoples' skill development. The Victorian ITAB Association works in partnership with government and industry to define and implement an efficient and effective Training System that is capable of producing quality products and delivery services.

CURRENT CONTEXT AND FACTORS IMPACTING ON SKILLS DEVELOPMENT

A number of factors combined have contributed to severe skills shortages in a number of industries and across a range of occupations. These include:

- the ageing workforce of a number of industries, particularly manufacturing, as well as the overall ageing population;
- the urbanization of the workforce with population flows away from the regional and rural areas;
- the insufficient range of career advice provided to young people;
- the declining level of investment by both governments and industry in training;
- the shift towards casual and part-time labour and use of contracting and labour-hire firms;
- the exodus of older skilled workers due to industry re-structuring and work re-organisation.

We wish to particularly draw the committee's attention to occupational skills shortages in the following industry areas, both current and forecast within the next ten years:

Trades: In some metals, engineering, vehicle, construction, food, printing and furniture industries

Professional areas: Registered nurses, secondary teachers and civil and electrical engineers, specific IT professions.

It is worth noting that in addition to occupational skills shortages, there exist skills mismatches with many skilled employees being employed in lower skilled occupations. At the same time, industry sources report significant skills gaps within certain occupations arising from technological and workplace change. In particular, cognitive and generic skills are seen as a significant gap in a number of industries. Skills shortages also vary according to location. Whilst much attention has been paid to higher level skills, there are still major language, literacy and numeracy skill gaps, which need to be addressed if industries expect a flexible workforce that is able to rapidly adapt to change.

EFFECTIVENESS OF CURRENT VET PROGRAMS

Below is an evaluation of a number of current government policy areas and their effectiveness in addressing current and future skill requirements.

- **New Apprenticeships**

Statistics around the New Apprenticeships system indicate that:

- since 1998, New Apprenticeships numbers have increased from 220,000 to 360,000¹;
- whilst official NCVER statistics conclude that around 60% of new commencements are at AQF 3 level, after excluding commencements in the trade areas, eighty per cent of all New Apprentices are found undertaking an AQF 2 qualification²;
- almost half of all traineeships are currently undertaken by older people, including existing employees³;
- almost half of all trainees terminate their agreement before completion⁴;
- almost 40% of all trainees who drop out do so within the first 3 months of a twelve-month traineeship;⁵
- around 70% of all trainees who drop out do so within the first 6 months of their 12-month traineeship.⁶

Whilst the initial purpose of the New Apprenticeships system was to provide career pathways for young people, its scope has broadened to include the training of the existing workforce. This is a noble cause for as much as industry needs new entrants, it also needs to ensure that its current workforce is skilled and ready to face the challenges posed by the volatile economic and business environment. However, the program has resulted in a distorted focus due to over-inflated take-up rates in some industries and there are clear indications that it is used by some employers as a labour subsidy scheme. The program overall has not been sufficiently targeted or aligned with industry needs. The effect of this has been to drive providers to pour resources into areas which have the most take up and are popular with employers and students, as opposed to strategically dealing with skills shortages.

Under the User Choice policy, the training market has become its own regulator with individual employers and training providers being the key drivers. Because of funding arrangements which are driven by throughput rather than quality,

¹ NCVER, *Australian apprentice and trainee statistics*, ANTA, June quarter 2002

² Toner, P Dr, *The Occupational and Skill Structure of New Apprenticeships: A Commentary*, Working Paper 74, employment Studies Centre, University of Newcastle, 2001.

³ NCVER, *Australian apprentice and trainee statistics*, ANTA, June quarter 2002

⁴ NCVER, *Australian Apprenticeships: Facts, fiction and future*, ANTA, 2001, p. 125

⁵ *ibid.*

⁶ *ibid.*

organizations like New Apprenticeship Centers and the Job Network are not strategically focusing on skill shortages. Allowing the market to deal with skills shortages has clearly not worked as is evidenced by the fact that certain areas, in particular the trades, have been experiencing the same shortages for nearly a decade. In addition, training provision in rural and regional Australia, as well as industry areas which are not considered to be competitive, has been compromised. An interventionist approach which focuses on both stimulating individual access to the training market and employer investment in training is required, as well as a policy which encourages providers to deliver to strategically important regions and industry areas.

The recent introduction of the innovation and regional subsidies for employers taking on New Apprentices is a step in the right direction of attempting to better target scarce resources. The changes made to encourage higher level training and completions of certificates are to be applauded. However, further work needs to be done to address this fundamental problem, particularly in relation to lower-level traineeships that are delivered wholly on-the-job. We also have to recognize that whilst employer incentives form an important part of making training attractive, they cannot be the only strategy in place for addressing skills shortages.

- **VET in Schools and other school-based vocational programs**

There is wide recognition amongst many industry stakeholders that the current educational pathways within schools have a limited capacity to satisfy the current and future skill requirements of Australian industry. In particular, areas like manufacturing, finance, health, education and IT are experiencing severe skills shortages in many areas, juxtaposed with high levels of youth unemployment and comparatively low school retention rates. The raft of programs that have been introduced in Victoria in recent years aimed at broadening out vocational opportunities have thus been welcomed, even if there has been much bemusement at the complex array of such programs and their accompanying nomenclature.

A recent project aimed at addressing skills shortages in the steel industry in the northern suburbs of Melbourne found that:

- misinformation, or lack of information about employment and career possibilities in a number of industries is one of the major reasons for skills shortages in those industries;
- in order to resolve skill shortage issues a systematic, industry-specific strategy within a geographical location needed to be developed;
- not only did the model need to be industry-specific, it also needed to be industry driven if it was to be sustainable;

- the more the workplace conditions, labour relations, wages and career opportunities can be improved, the more likely it was for young people to enter the industry.⁷

The findings of this report could be extrapolated to a number of industries. They point to the need between integration of industry-led advice on skill shortages, appropriate training programs and school-based career advice.

The recent House of Representatives Education and Training Committee inquiry into Vocational Education and Training in Schools received a number of submissions from ITABs which highlighted:

- the introduction of vocational pathways and alternative programs within schools has wide bi-partisan industry support;
- concerns that funding arrangements for VET in schools programs were limiting their success;
- concerns that TAFE institutes were discouraged from fully supporting VET in schools programs due to the cost implications;
- concerns with the level of experience, skills and knowledge gained by school students who do not have ongoing access to a workplace and/or to work directly related to the qualification;
- concerns that the skills of some of the teaching staff do not have industry currency;
- concerns that some of the capital infrastructure and resources used in schools for VET programs has limited application and currency.

It is important to emphasise that the level of support within industry of most alternative/VET in schools programs is great. There is almost unanimous support for the notion that the introduction of these programs, and the establishment of bodies such as the LLENs in Victoria are a step on the right path to meeting future skill needs of the Australian workforce.

However, many industry stakeholders are concerned that the lack of a vocational education capacity of equal parity or esteem to the VCE in schools will seriously undermine the industry's and Australia's future capacity to compete in a highly competitive environment. Consequently, industry support for VET in schools programs hinges on them achieving parity of esteem in order to ensure young people have alternative options and that industry has a pathway of gaining skilled and talented employees.

⁷ See *Addressing the Causes of Skills Shortages: Bridging the Information Gap With Youth*, NIECAP, 2001.

SKILLS DEVELOPMENT AND INDUSTRY/WORKFORCE CHANGE

A number of factors have contributed to a decrease in formal training investment on behalf of employers, including:

- the growth of small to medium sized enterprises, particularly in the manufacturing sector, making training harder to deliver and training budgets smaller;
- the growth of part-time, casual and contract workers in whose training employers are unwilling to invest.;
- competition and work re-organisation arising from globalisation, which has applied more pressure on employers to cut so-called non-productive activities.

These factors have huge implications for the skill base of the current workforce. Industry re-structuring has resulted in an exodus of older skilled workers, whose lack of access to re-training for new skills so as to enable them to competently perform in new jobs has had serious social impacts. In the TCF industry alone, one third of the 30,000 workers made redundant since 1997 have not found another job, whilst another third have only found casual or part-time work.⁸

Older workers are often perceived as ‘old economy’ workers, unworthy of skills training investment. One of the barriers faced by older workers in accessing training is that older people’s access to traineeships and apprenticeships is impeded by youth award payments based on age.

If we understand that by the year 2010, almost half of Australia’s population will be aged 45 and over⁹ it duly follows that access to training in new technologies is critical to retention and career development of Australian workers. This involves significant cultural shifts on behalf of employers, government and training providers to cater for these skills gaps. In addition, significant language and literacy needs continue to exist within the workforce and need addressing.

⁸ Weller, Sally and Webber, Michael, *Refashioning the Rag Trade*, UNSW Press, 2001.

⁹ See ACCI, *A Cure for the Common Cold-Ways to Address Skills Shortages*, 2000.

INDUSTRY CONSULTATION AND STRATEGIC ADVICE

All of the above problems cannot be overcome without effective industry advisory mechanisms. Even though in theory we have an industry-led bi-partisan approach to the provision of training advice, recent developments have thrown into question the practical commitment of the Commonwealth government to such arrangements.

In particular, the de-funding of state Industry Training Advisory Bodies has already resulted in:

- the closure of a number of state-based bodies;
- the dismantling of national industry networks required for the collection of quality advice;
- the merger of a number of state ITABs leaving industry feeling more disenfranchised and removed from any real agency to impact on training provision advice.

The recent ANTA review of National Industry Advisory Arrangements has further compounded these problems with the proposed changes, if accepted, eventually leading to the loss of critical industry advice and knowledge and the possible withdrawal of industry stakeholders from the process altogether.

It appears that the Commonwealth is attempting to separate the development of training products (to be carried out by ANTA) from skill development strategies (to be undertaken by the Commonwealth and peak employer groups only). This runs the risk of a national training system operating without the bipartite industry support.

Whilst we support the need to be constantly fine-tuning industry advisory mechanisms, we are concerned that the proposed changes will result in an eventual dismantling of the national system through inadequate industry consultation and ownership of the system.