

**Manufacturing Skills Australia's
submission to
the Senate Committees:
Inquiry into the role of Technical and
Further Education in Australia
Addendum to 2013 submission**

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This submission has been prepared by Manufacturing Skills Australia under the Terms of Reference set out for the Senate Committees' Inquiry into the role of Technical and Further Education in Australia

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 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.

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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 is pleased to have the opportunity to provide an addendum to our submission to the 2013 House of Representatives Committees' Inquiry into the role of the Technical and Further Education system and its operation.

In this addendum, MSA will address the terms of reference not covered in our previous submission. Specifically, we will address:

1. Technical and further education (TAFE) in Australia, including:
 - a. the role of TAFEs in:
 - i. Educational linkages with secondary and higher education
 - d. what factors affect the affordability and accessibility of TAFE to students and business;
 - e. different mechanisms used by state governments to allocate funding; and
 - f. the application and effect of additional charges to TAFE students

We have also reviewed our original submission and propose to provide further information to address the broader aspects within this inquiry.

Preamble

MSA welcomes the Senate's 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) ¹

Further to our original submission, MSA is concerned that the commercialisation of the TAFE system is already having considerable impact on the development of skilled workers to meet the needs of a competitive and innovative Australian economy. If this trend is permitted to continue, Australia will not achieve the goal of becoming a high-skilled, high value-add economy of the 21st Century.

"The impact of reforms on TAFE is also a concern to manufacturing stakeholders. TAFE is an important provider of manufacturing courses and its ability to engage less advantaged learners is critical to increasing overall participation in manufacturing and other workforces."²

The role played by TAFEs in educational linkages with secondary and higher education

Secondary education linkages

The primary vehicles for TAFE's engagement with the secondary school sector are through the VET in Schools (VETiS) program and Australian School-based Apprenticeships. VETiS programs are programs undertaken by school students as part of the senior secondary certificate that provide credit towards a nationally recognised VET qualification within the Australian Qualifications Framework. The training that students receive reflects specific industry competency standards and is delivered by a Registered Training Organisation (RTO) or a school in partnership with an RTO. The VETiS program may be provided in one of two ways – either the school is accredited as an RTO to deliver the required qualifications or the school partners with an RTO (often a TAFE institution).³

Australian School-based Apprenticeships (ASbAs) are Australian Apprenticeships which are undertaken part-time while the Australian Apprentice is still at school. It combines paid employment as an apprentice or trainee, off-the-job vocational training and senior secondary school studies. Training is delivered by an RTO (often a TAFE).⁴ Each state has its own arrangements for both of these programs.

The VETiS program (including the ASbAs) is now an integral part of the senior secondary school program with over 90% of schools delivering some form of vocational education⁵. However it only accounts for 29% of 15 - 19 year olds in education and training. The majority of 15 - 19 year olds are engaged in school participation without VET participation⁶. Consultations conducted by the National

¹ Australian Workforce and Productivity Agency, 2013, *Future focus: 2013 National Workforce Development Strategy*, Commonwealth of Australia

² Manufacturing Skills Australia, 2014, *Environmental scan 2014* (unpublished)

³ iVET, *VET in Schools*, <http://www.ivet.com.au/a/74.html> accessed February 2013

⁴ Australian Apprenticeships, *Australian School-based Apprenticeships* <http://www.australianapprenticeships.gov.au/publications/australian-school-based-apprenticeships> accessed February 2014

⁵ Clarke, K and Volkoff, V, 2012, *Entry to vocations: current policy trends, barriers and facilitators of quality VET in Schools*, NCVER, Adelaide

⁶ Clarke, K, 2013, *Entry to vocations: strengthening VET in Schools*, NCVER, Adelaide

Quality Council⁷ in 2011 found that “many employers consider that VETiS qualifications to not have the same parity of esteem as those delivered elsewhere – hence there is a lack of confidence in the school-based assessments” (pg 10). MSA has received anecdotal reports of units of competency being delivered “conceptually”, i.e. without any practical component at all. One such report was that the unit of competency “Use hand tools” was delivered via a VETiS program where the students only ever saw photos of the tools and their use and never actually handled the actual tools or used them in any manner. Another report that we received was that students were being enrolled in VETiS programs only to raise their ATAR scores so that they could get in university. Incidents such as these undermine the value of the vocational education system to the world of work and to employers.

In New South Wales, “TAFE delivered VET (TVET)” courses are ... “developed or endorsed by the Board of Studies which senior secondary schools students may study at a TAFE NSW institute while completing their HSC at school”.⁸ Each state appears to have similar programs of engagement between the TAFE sector and the secondary school sector. TAFE’s role in the VETiS program appears to be limited. According to NCVER statistics, in 2012 only 3,600 students out of 242,400 students in the VETiS program were participating in a VETiS program through the TAFE system. 22,500 students were undertaking a school-based apprenticeship, although the data does not say if the students were attending TAFE for the off-the-job component of the apprenticeship⁹.

While there has been a mixed response to the program from industry, often due to confusion over the program’s purpose, it would be difficult to see the program being discontinued in the near future. Recommendations put forward from recent research¹⁰ include clarifying the role of the VETiS program as a pathway to post-secondary vocational education and building better synergy between the school system and the vocational options available post-school. This would include building closer links with TAFE institutes and private providers. A review of VETiS program has been recently been flagged by the Assistant Education Minister¹¹.

MSA has been working with stakeholders in two key areas to strengthen the linkages between secondary education and vocational education. One project has been the development of a Certificate II in Engineering (Pathways) which can be delivered either through the VETiS program or TAFE as a pre-apprenticeship program.

In conjunction with the Australian Curriculum, Assessment and Reporting Authority (ACARA), MSA is working to develop industry specific vocational subjects for secondary students. These subjects are designed to promote manufacturing related careers and study as viable post-school options by providing secondary school students with exposure to manufacturing occupations and workplaces as well as developing the underpinning skills and knowledge to successfully transition into the manufacturing industry.

Higher education linkages

There has been a range of research conducted into pathways between the VET sector and higher education. The majority have looked at the VET to higher education pathway and very few have

⁷ TVET Australia, 2011, *VET in Schools – strengthening delivery and assessment outcomes* http://www.nssc.natese.gov.au/_data/assets/pdf_file/0003/56640/VET_in_Schools_-_Strengthening_delivery_and_assessment_outcomes.pdf accessed February 2014

⁸ Department of Education and Training, *TAFE delivered VET (TVET)*, <https://www.det.nsw.edu.au/vetinschools/vet/tvet/index.html> accessed February 2014

⁹ NCVER, 2013, *School-aged youth in vocational education and training 2012*, NCVER, Adelaide

¹⁰ Clarke, K, 2013, *Entry to vocations: strengthening VET in Schools*, NCVER, Adelaide

¹¹ Australian Government, 2014, *Ley brings together industry & schools to talk Voc Ed reform*, *Media release*, February 20 2014 <http://ministers.education.gov.au/ley-brings-together-industry-schools-talk-voc-ed-reform> accessed February 2014

looked specifically at linkages between TAFE and the higher education sector or the higher education to VET pathway. Given that industry is unhappy with the work readiness of university graduates, the higher education to VET pathway is an area which needs examining. TAFE as the major provider of VET needs to be an integral part of any review of the pathway with clear delineation of career pathways and linkages.

The impact of dual-sector institutions which provide both VET and higher education courses has not been to increase the proportion of students being admitted to higher education via a VET pathway.

The linkage between TAFE and the higher education sector is difficult to qualify due to several reasons:

- many universities prioritise ATAR scores above VET qualifications and will only consider an applicant's VET qualification if their ATAR score is too low
- some university admissions monitoring systems do not have the capacity to report on students who have been admitted on the basis of a VET qualification
- the inability to obtain adequate information from the VET provider to be able to differentiate between provider types¹²

Another factor that may be increasing the difficulty in identifying the linkages between TAFE and higher education may be the lag between the completion of a TAFE qualification and commencement of a higher education qualification. Anecdotally, MSA has heard that many TAFE graduates do not consider higher education on graduation because they are able to find employment in their chosen field easily. In 2013, 74.8% of graduates from TAFE were employed on completion of their study¹³. Of the graduates from TAFE who went directly onto further study, only 6.7% went on to higher education¹⁴. For the majority of TAFE graduates, it may be many years post-graduation before they consider further education through the higher education system (if they consider it at all). By this time, it can be very difficult for higher education institutions to verify the person's TAFE study record.

MSA would support further research in this area with a view to identifying evidence based strategies to support better linkages between TAFE and the higher education sector. Such linkages are necessary if Australia is to achieve the growth targets set by the Australian Government for the next five years.

What factors affect the affordability and accessibility of TAFE to students and businesses

As MSA outlined in its original submission, TAFE has historically been the leading provider of opportunities for Australians from all walks of life to improve themselves and increase their life and employment prospects. One of the reasons for this has been the accessibility and affordability of TAFE for learners. Unlike higher education institutions, admission to TAFE is not based on ATAR scores or English language proficiency. Indeed TAFE is a major provider of the skills and knowledge required to increase a person's proficiency in areas such as foundation skills¹⁵ including English

¹² Watson, L, Hagel, P and Chester, J, 2013, *A half-open door: pathways for VET award holders into Australian universities*, NCVER, Adelaide

¹³ NCVER, 2013, *Australian vocational education and training statistics: student outcomes 2013*, NCVER, Adelaide

¹⁴ VOCSTATS, *Student Outcome Survey 2013*, Type of further study institute by provider type, accessed February 2014

¹⁵ Foundations skills encompass reading, writing, oral communication, numeracy and learning and also employability skills and digital literacy.

language proficiency which increases their ability to access both vocational training and higher education opportunities and also employment.

TAFE institutes also have campuses located in regional areas as well as in major cities, increasing the geographical accessibility of TAFE for students and businesses. In the majority of regional areas, TAFE is the only post-school education provider. Unlike the higher education sector where the majority of institutions are located in the major cities resulting in students needing to leave their families and communities to study, the proximity of TAFE institutions to the student's family, community and potential employers helps strengthen local communities by providing the skilled workforce required in those communities.

MSA is concerned that the recent changes in TAFE funding arrangements is impacting on TAFE's ability to support the needs of their local communities and also to provide the necessary training and education needed by local employers. In Queensland the recent review has recommended the closure and sale of some TAFE campuses¹⁶ and similar sales are already occurring in Victoria. Qualifications have been dropped from scope, leaving large sectors of the manufacturing industry without access to training.

The past 12 months has seen entire TAFE departments closed, teachers lose jobs and increased casualisation of the workforce. In MSA's 2014 Environmental scan survey, 17% of publically funded registered training organisations reported that they had dropped some MSA qualifications over the last 12 months. This is expected to increase as each state implements their training and funding reforms. MSA is already seeing an impact on access to training by businesses, especially small and medium size enterprises in niche areas such as advanced jewellery manufacturing, picture framing, boatbuilding, fashion design and furniture production. Manufacturing's many micro operations and sole traders also need access to affordable training options to help grow their business and technical skills. These are all the high-quality, customised, niche components of the market that are today's manufacturing focus.

Different mechanisms used by state governments to allocate funding

While funding arrangements vary in each state, there are some commonalities. All states have moved or are moving to a competitive funding model which allows both the public provider (TAFE) and private providers to compete for state funding of courses. State funding is allocated to qualifications which are focussed on identified state skill shortage areas. Funding is provided on the basis of nominal hours and the materials and equipment requirements of individual units of competency.

MSA has a major concern regarding this funding model in that engineering units of competency are high cost units i.e. they require access to expensive technology and materials. Yet in most states, TAFEs have ageing equipment and constrained access to costly materials. The funding arrangements do not enable TAFEs to replace ageing equipment with the technology that is currently used in industry and also constrain the ability of the institutions to provide the students with access to sufficient material to gain competency, especially in the engineering trades area. MSA has received reports from employers that trade apprentices are not reaching the end of their training competent to

¹⁶ Ross, John, 2013, Queensland TAFEs to lose their assets, *The Australian*, June 08, 2013, <http://www.theaustralian.com.au/higher-education/queensland-tafes-to-lose-their-assets/story-e6fgrcjx-1226659546529> accessed February 2014

industry standards because they haven't been able to gain sufficient practice due to material shortages and/or lack of access to up-to-date technology.

As part of this model, qualifications are funded based on the "typical combination" of units where the combination is determined on past offerings by registered training organisations. As a result funding is based on the skills that industry has required historically. Many Australian industry sectors are undergoing significant structural adjustment which is requiring workers to have new and different skills to those required in the past. This funding model does not support industry's move to a more sustainable, high-skilled, high value-add framework that will create significant economic growth for Australia's future.

Another serious concern is that the majority of the new funding models provide access to subsidised training up to and including Certificate III through a student entitlement model. For students undertaking Diploma and Advanced Diploma level qualifications, access to VET Fee-Help is available. However the majority of students undertaking Certificate IV level qualifications receive neither state funding nor have access to VET Fee-Help. Within the manufacturing industry, while Certificate III remains the predominant entry level qualification, the greatest growth in demand is for Certificate IV and higher level qualifications as the industry repositions itself as a high-skilled, high value add industry. This is driving the demand for upskilling of existing workers to meet industry needs. However without access to financial assistance, either through subsidised training or VET Fee-Help, existing workers will be reluctant to undertake the necessary upskilling needed by industry.

Prior to the move to a competitive training market, TAFE was able to cross-subsidise its more expensive courses through its access to core funding. MSA is concerned that costly qualifications such as the engineering trades courses will be considered unprofitable to run and will be cut from course offerings.

The application and effect of additional charges to TAFE students

In our original submission, MSA identified that many students undertaking training and education through a publicly funded provider came from an identified equity group¹⁷. In 2013, in our submission to the Independent Pricing and Regulatory Tribunal, we identified that over 30% of students came from rural (outer regional), remote and very remote areas of New South Wales. Nearly a quarter came from non-English speaking backgrounds and nearly 50% of students fell in either Socio-Economic Index for Areas (SEIFA) Quintile 1 or 2.¹⁸

TAFE has always been the major supplier of education and training opportunities for people from disadvantaged backgrounds and for "second-chance" learners. Significantly increasing the student contribution to training would have a noticeable impact on these students' ability to participate in training. Furthermore increases to the contribution to be paid by apprentices and trainees, many of whom may have significant travel costs associated with attendance at off-the-job training¹⁹, would further discourage people from taking up an apprenticeship or traineeship. In 2010, the second most

¹⁷ Manufacturing Skills Australia, 2013, *Submission to the Inquiry into Technical and Further Education system and its operation* (unpublished)

¹⁸ VOCSTATS, 2013, *Students 2002-2011 (Revised 31/08/12)* <http://www.ncver.edu.au/resources/vocstats/intro.html> accessed April 2013

¹⁹ Manufacturing Skills Australia, 2013, *Environmental Scan: A new era for manufacturing*, pg. 20 <http://www.mskills.com.au/industry-intelligence/info/environmental-scan> accessed February 2014

frequently given reason for not completing an apprenticeship was “personal reasons” which includes difficulty with travel/transport²⁰.

Additional information to support the areas covered in our original submission

Item 1 b – effects of a competitive training market on TAFE

Victoria has been the first state to move to a competitive training market and there have been some very significant outcomes as a result. Initially in Victoria there was a significant growth in market share by private RTOs with a proliferation of courses in areas that provided high returns for the RTO, areas such as business studies and personal training. Demand was driven by the students and as result many industries experienced significant skill shortages in occupations that were not attractive to students or were costly to run.

Following a review in 2012, the system in Victoria has been restructured and significant cuts made to the funding of TAFE. This has led to course cutting and campus closures. These actions significantly decrease access by businesses and students to TAFE and the skills needed in both specific geographical areas and thin markets.

Queensland and New South Wales are both currently transitioning to competitive training markets. In Queensland, the proposed model will result in campus closures and sale of assets. New South Wales TAFE is already experiencing the closure of units such as the Social Inclusion and Vocational Access unit, the furnishing teaching unit at Lidcombe and the aerospace teaching unit at Padstow and subsequent job losses. The impact of the loss of such units is already being felt by industry. For example the furnishing teaching unit at Lidcombe was the only place in Australia offering qualifications in soft furnishing. The loss of the unit means that industry no longer has access to nationally accredited training in soft furnishing.

South Australia and Western Australia are also transitioning to competitive training markets. They are not as far along the path as the other states and it is still too early to see the impacts from this transition. However, based on the results in other states to date, impacts are likely to be similar.

Item 1 c – what public funding is adequate to ensure that TAFEs remain in a strong and sustainable position to carry out their aims

The Government of New South Wales issued a ‘Statement of Owner Expectations for TAFE NSW’ as part of its transition to a competitive training market. While this statement is specific to New South Wales, the majority of expectations outlined could equally apply across all jurisdictions.

These expectations are:

1. be a state-wide service
2. offer a broad choice of courses
3. provide inclusive services
4. deliver skills critical to the state’s economy²¹

²⁰ ANCIL Allan Consulting, 2013, *Review of qualification completions in engineering trades apprenticeships*, Melbourne (unpublished)

²¹ TAFE NSW, 2013, *Statement of Owner Expectations*, New South Wales Government, <https://www.tafensw.edu.au/about/assets/pdf/soe.pdf> accessed February 2014

Public funding needs to ensure that the TAFE system is able to adequately deliver on each of these expectations. From a commercial perspective, such expectations impose upon TAFE obligations that would make service provision unviable. Therefore MSA believes TAFE needs to receive core funding to support service provision to meet these expectations especially in regional and remote areas and in providing skills training in niche areas and thin markets where student numbers may not be sufficient to viably run courses.

There is also the need to ensure that TAFE received sufficient funding and/or support to provide students with access to the most up-to-date technology, equipment and training. This may be through the development of industry partnerships either with equipment manufacturers or local enterprises that are willing to provide access for both students and TAFE professionals.

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