

Response to the Victorian Government's discussion paper

*Securing our future economic prosperity
Discussion Paper on Skills Reform- April 2008*

June 2008

MESAB

The Manufacturing and Engineering Skills Advisory Board (MESAB) is the peak training advisory body in Victoria for the manufacturing and engineering industries including; aerospace; chemicals, hydrocarbons and oil refining; civil engineering; coal, quarrying and metalliferous mining; cement, ceramics, clay, concrete, glass and other non-metallic mineral manufactured products; plastics, rubber and cabling; and metals manufacturing.

The contact person regarding this response is:

Paul Kennett

Executive Officer

Manufacturing & Engineering Skills Training Board (Vic) Inc

1378A Toorak Road

Burwood Vic 3125

e: mesab@mesab.com.au

More Questions

The discussion paper outlines some radical reforms to a system that is already acknowledged as the best performing in Australia and in particular the most cost effective. A system where 85% of Victorian employers are satisfied with the training service they receive.

MESAB would appreciate the opportunity to provide further input into considerations about reforms to the Victorian training system when further detail can be provided in a range of areas addressed in the discussion paper including:

- To achieve the objectives of growing user numbers in a more engaging and flexible training system, why is a new approach to funding required?
Have options around allowing providers more flexibility in how outcomes are measured/acquitted been considered?
- The discussion paper acknowledges that an increased investment will be required – what is the magnitude of this increased investment and what proportion is the Government seeking to pass onto users of the training system?
- The primary premise on which the case for reform seems to be based is that increased Government investment is required but contingent on users paying higher fees – this is linked to the preceding dot point and needs to be clarified.
- The discussion paper refers to ‘significant research’ undertaken by the Victorian Government on the skills profile of Victoria’s working age population and the barriers that can prevent increased participation – this research needs to be made available as part of the consultation process.
- The discussion paper notes that 27,000 students missed out on a TAFE place across Australia in 2007 but whether any, some or most of these were Victorians is not explained. What needs to be determined also is what number of Victoria’s component of these 27,000 students applied for low priority courses.
- If publicly funded TAFE providers continue to deliver and over-deliver on the SCHs funded by the Victorian Government – is the low participation rate simply a result of low levels of Government funding?

Discussion Paper

MESAB supports the objectives outlined in the discussion paper – to grow the numbers of users of an increasingly flexible and simple training system – but questions whether increasing user costs via fees and HECS type loans, and changes based on contestability are consistent with achieving these objectives.

Contestability

MESAB questions whether changes based on ‘contestability’ will not lead to a system that reports more outcomes but disguises poor quality training, and poor outcomes for individuals.

MESAB is concerned about the quality of some existing Commonwealth incentive driven traineeship training; concerns that have been shared by the State Training Authority (STA) as evidenced by a number of industry audits and thousands of cancelled training contracts. This is in an area of the state training system that is already contestable – apprenticeships and traineeships.

Another significant concern with contestability suggestions is that of providers cherry-picking low cost, high demand areas and leaving publicly funded TAFE Institutes to service remaining areas.

Manufacturing and Engineering training programs fall into the exact opposite scenario of high cost and low demand (despite skill shortages) and saddling TAFE Institutes with these training programs but allowing profitable program areas to go to the lowest bidder will potentially lead to viability issues with manufacturing and engineering programs.

Increasing Participation & Cost

As the discussion paper identifies, cost is a significant disincentive for potential users of the training system, as it is in any market. As identified in the December 2003 *Discussion Paper on the Review of VET Student Fees & Charges*, the 2001 ABS study on barriers to participation identified that 24% of people who wished to study but were prevented from doing so gave financial concerns as their prime reason for not studying.

Increasing the cost of using the training system or spreading this increased cost over a long term debt will provide yet another disincentive for young people to embark on an entry level pathway into manufacturing and engineering occupations and industries at the very time we need the reverse to happen.

Engineering trade occupations are overly represented in DEEWRS list of skills shortage occupations and entry level apprenticeships lock young people into regulated low wages over an extended period; a major disincentive in its own right, let alone increasing trade training fees or attaching apprentices to a long term debt.

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Despite already low demand, if any rise in fees were to be contemplated, MESAB would encourage a fee structure that takes into account Government priorities – for example offering reduced fees in priority areas.

Demand & Funding

It is MESABs view that simply making more funded training places available at a particular qualification level and in a particular industry is unlikely to influence the choices individuals or businesses might make if they in fact consider engaging with the training system in the first place.

This same potential problem will apply also the federal Government's funding of productivity places.

It is MESABs view that making funded places available alone, will not encourage people and businesses that have not previously engaged with the training system to consider using the training system and will therefore not increase participation rates. Promotion to these individuals and businesses about the value of using the training system must be undertaken also. Further, this promotion must not be focused on qualifications as is currently the case but focus on the returns from any business or individual investment in training.

For businesses, things like cost, relevance to business requirements, time investment, disruption to normal business, productivity gains, meeting compliance requirements and the like are considerations that need to be addressed in promotional activities – and promotion should target non-users of the training system.

For individuals, things like, cost, skills acquired, enhanced job prospects, expanded occupational pathways, further training/career pathways, investment of time, learning support available and the like are considerations that need to be addressed in promotional activities – and promotion should target non-users of the training system.

Industry Involvement

Quality industry information/intelligence must continue to guide Victoria's training system investment in order to meet industry need and marketing/promoting to individuals and businesses must be attached to funded training places.

The move away in recent years from allocating set funding amounts on the basis of industry size and shifting funding from industries of lesser need to industries with a greater need is strongly supported by MESAB as a key component in matching real industry need with Government investment.

Whilst ISCs perform their role at the national level, particularly in keeping the industry skills specifications relevant with current and future industry needs, at the state level, ITBs provide the Victorian Skills Commission (VSC) with advice and intelligence that allows priorities to be determined according to the relative need of Victorian industries.

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It is worthy to note that the VSC has industry input via its membership and its current strategic plan has similar and complimentary objectives in terms of increasing participation and productivity gains.

Eligible Individuals

From the information supplied in the discussion paper, it is not possible for MESAB to suggest what criteria might apply to an individual being eligible for a government funded training place other than the fact that the training place should be attached to Victorian industry priorities.

A particularly important issue associated with being eligible for a Government funded training place is the issue of access and equity. MESAB considers that access and equity considerations should be paramount in determining eligibility criteria, particularly for those unattached or marginally attached to the workforce.

Care should also be taken to avoid excluding people from undertaking a lower level qualification than they currently hold. In the training area, individuals may need to undertake a Certificate IV training & assessment qualification in order to work and pass on knowledge and skills to others.

Considerations about excluding people who hold the same level qualification (or higher) than the qualification they seek to undertake also represents a very static view of skill and labour market requirements. A Certificate III gained 20 years ago may have little value in today's labour market and being ineligible to undertake a similar level qualification would be a blow to industry and to individuals.

Training Service

MESAB strongly holds the view that reforms to the Victorian training system should be based on initiatives that encourage providers to improve the training service they provide, rather than concentrating on reforms that seek to encourage more people into a system that is clearly perceived by potential users that avoid the system as daunting and irrelevant.

Current funding arrangements encourage providers to deliver and report on Student Contact Hours (SCHs), conduct attendance based classes, and rely on industry demand to organise itself into convenient blocks before any training can be undertaken.

In other words, industry training demand must currently be organised into arrangements that suit the training provider's delivery needs.

This is further entrenched by STA auditing arrangements that use class attendance roles as evidence of outcomes in the form of delivered SCHs.

Putting in place funding and auditing arrangements that encourage TAFE providers to contextualise and take their training service to industry customers is the key to an

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increased number of users and increased participation rates, particularly for existing workers.

Productivity gains for industry that relate to the application of the skills of its workers will follow, and will provide for those workers displaced from their industry or sector, a level of insurance and options related to their next job.