



INVESTING IN AUSTRALIA'S FUTURE

**ESSENTIAL STRATEGIES TO MEET THE
SKILLS CHALLENGE**

A TDA POLICY STATEMENT

August 2004

INVESTING IN AUSTRALIA'S FUTURE - SUMMARY

TAFE offers great potential to help realise national strategies for meeting important national goals

- Meeting Australia's future skill needs
- Overcoming current skill shortages
- Building the nation's capacity for innovation and increasing labour productivity
- Improving labour force participation
- Providing better opportunities for our young people
- Giving better access to education and training for disadvantaged groups
- Strengthening our regional communities.

TDA recommends eight strategies to achieve these national goals

1. A National Youth Strategy
2. A Strategy for Meeting Skills Shortages, especially in the traditional trades
3. A Strategy for Building the Skills of the Existing Workforce
4. A Strategy for Mature Aged Workers
5. A Strategy for Fostering Applied Research
6. A Strategy for Sustaining Regional and Remote Communities through Skills Development
7. A Strategy for Better Meeting the Needs of Disadvantaged Students
8. A Strategy for Strengthening TAFE to meet the Skills Challenge

TDA strongly recommends that as an immediate first step, the Australian Government commit to

- *providing new growth funding of at least 5% per year in real terms (or approximately an additional \$180 million over three years in 2004 prices) under a new ANTA Agreement, ie new funding over and above that provided in 2004; and in addition*
- *bringing the funding currently being provided separately for Australians Working Together and Recognising and Improving the Capacity of People with a Disability (RICP) programs within the ANTA Agreement as originally proposed.*

TDA also strongly recommends that the Australian Government initiate a high level, independent review of Australia's future vocational education and training needs and how these should best be met.

This review should be required, inter alia, to examine and make recommendations on the role of vocational education and training in the tertiary education sector and its relationship with other sectors; the role of TAFE; the role of a competitive training market; funding responsibilities; the amount of government funding support required to support a world class system; funding allocation models; and the most appropriate indexation measure to be used in maintaining the value of government funding in real terms.

Further details on the recommended strategies are to be found in four supporting papers

- ❖ A National Strategy for Meeting Australia's Skills Needs
- ❖ A National Youth Strategy
- ❖ The Role of TAFE in Regional and Remote Australia
- ❖ Funding for TAFE

There are also a series of six brief Fact Sheets:

- ❖ Profile of TAFE Students
- ❖ Key Outcomes for Students
- ❖ Diversity and Inclusivity of TAFE
- ❖ Youth
- ❖ TAFE in Regional and Remote Areas
- ❖ Funding

INVESTING IN AUSTRALIA'S FUTURE ESSENTIAL STRATEGIES TO MEET THE SKILLS CHALLENGE

Introduction - TAFE's Vital Role

Australia's future prosperity depends on our people having the skills needed in a modern, globalised economy. Australia needs world class skills if we are to support innovative world class industries and achieve the sustained economic growth and standard of living to which we aspire as a community. For individual Australians, educational attainment is a key to employment, a rewarding career and a satisfactory income.

TAFE is a major educational pathway from school to work for large numbers of young Australians and it plays an absolutely crucial role in skilling the workforce. Far more Australians receive their tertiary education and training at TAFE than at universities.

It is TAFE who trains our technicians and paraprofessionals, as well as our skilled tradespeople. TAFE training plays a vital role in all sectors right across the economy. It also caters for the training needs of all age groups.

As economists have pointed out, TAFE plays by far the greatest role among the educational sectors in re-skilling and up-skilling Australians throughout their working lives and this is true for all levels of the workforce.¹ Overall, TAFE makes a very significant contribution to the development of Australia's human and social capital.

It is now clear from the Australian Government's Intergenerational Report² that as Australia's population and workforce ages, economic growth will be dependent on increasing productivity and increasing labour force participation. Both will require a substantial investment in the training of our young people and older workers. Unless this is done, significant numbers of people without the skills to participate in the workforce will add to the burden on others in their own generation and the younger generations who follow them.

Education and training has other economic and social benefits as well including better health and reduced crime. Providing opportunities for the disadvantaged is also widely acknowledged as important in promoting social capital and social cohesion.

TAFE clearly offers great potential to help realise national strategies for

- **addressing skills shortages and meeting Australia's future skill needs;**
- **up-skilling and re-skilling the existing workforce to improve future labour force participation;**
- **building the nation's capacity for innovation;**
- **ensuring that all our young people can get meaningful and rewarding employment;**
- **providing better opportunities for the disadvantaged; and**
- **strengthening our regional communities.**

¹ See for example, FitzGerald Vince *Skills in the Knowledge Economy: Australia's National Investment in Vocational Education and Training*, The Allen Consulting Group March 2001 p2

² Commonwealth Government, *2002-2003 Budget Papers, Budget Paper No 5 – Intergenerational Report*, May 2002

Yet despite all the political rhetoric about the importance of education and skills training, governments have failed to ensure that our TAFE system is sufficiently well resourced to play its part.

Success in achieving what should be key goals for Australia - overcoming skill shortages, lifting skill levels, increasing labour productivity and improving job prospects for all its people - will depend crucially on government acting now to put the right policies in place and making a much greater and more sustained commitment to investing in TAFE, one of our most important national assets. TDA recommends the following strategies:

1. A National Youth Strategy – improving opportunities for our young people through vocational education and training

Large numbers of young Australians are leaving school early and not acquiring the skills they need to get jobs and that will serve them well in later life. This is having increasingly serious economic and social implications. Structural changes in the Australian economy, combined with technological change, have reshaped and severely reduced employment opportunities for unskilled or low skilled youth.

The numbers (26%) of people aged 15-24 who are neither in full-time education nor in full-time work are disturbingly high and compare poorly with other countries.

Governments have already committed themselves to the goal that all young people should have the opportunity to complete 12 years of schooling or its vocational equivalent. But insufficient progress is being made. Further, there is evidence that those who have post-school education and training have better employment outcomes and lifetime opportunities than those who do not. **Much of the recent focus in policy at the national level has been on university education. We need to make much better provision for the 70% of people who do not go to university.**

A new strategy is needed. Government needs to take action to:

- *Provide young people especially those ‘at risk’ with greater support to help them manage the transition from school.*

TAFE Directors Australia supports the recommendation made by the Dusseldorp Skills Forum, the Smith Family and others for the establishment of a national youth transition support program to provide individual case management especially for potential early school leavers. Action also needs to be taken to improve the quality of careers advice.

- *Provide those who may not thrive in traditional school settings with alternative education pathways including through TAFE.*

Pathways from school to work are diverse. Vocational education and training based pathways are a valuable alternative or supplement to year 12 in school. We should build on the strengths, flexibility and national networks provided by TAFE to increase the number of innovative, applied vocational education programs. This would draw on the facilities and expertise of TAFE and offer strong pathways from school to TAFE

which deliver both vocational skills and general education skills and knowledge. One possibility would be establishing vocationally oriented secondary colleges co-located with TAFE with close links to both the TAFE Institute and school system.

- ***Establish a national goal that all Australians will have the opportunity of undertaking a minimum of two years of recognised post-school education and training, including VET qualifications typically to at least Certificate III or IV level.***

This goal would encompass a second chance strategy to re-engage early leavers to achieve a Year 12 or an equivalent qualification including through VET. It would also include the opportunity for those who are not in higher education or employment to undertake post-Year 12 vocational training. Year 12 completion is no guarantee of obtaining a full time job. Only 14 per cent of Year 12 completers who do not go on to further education are able to get full time work.³

- ***Strengthen TAFE's capacity to provide vocational education and training for young people.***

- Funding needs to be provided for
 - additional places (including pre-employment and year 12 equivalent programs as well as additional places at higher qualification levels),
 - better career advice and
 - student support services, and
- Provision made for funding arrangements that would facilitate greater collaboration between schools and TAFE in providing VET to school students.

- ***Improve pathways from TAFE to University by providing more effective incentives for universities to put in place clear and reliable arrangements with fair credit recognition for TAFE students seeking to proceed to university.***

About 10% of TAFE students go on to university. TAFE is an important pathway to higher level qualifications. However, at present articulation and credit transfer arrangements are inconsistent, patchy and lack certainty for the student.

2. A Strategy for Meeting Skills Shortages – especially in the traditional trades

Australia is facing acute and worsening skills shortages in the traditional trades and some other areas. The latest ACCI Survey of Investor Confidence shows that the availability of suitably qualified employees is the number one constraint on future investment.

The Australian Industry Group has pointed to the severity and extent of the problem being experienced across Australian industry. It is estimated that 170,000 people will retire from the manufacturing sector in the next five years with as few as 40,000 people being trained to

³ Dusseldorp Skills Forum, *How Young People are Faring: Key Indicators 2003*

replace them. This is a very large gap. The situation in some regions including the Hunter and the Illawarra is particularly alarming.⁴

Industry groups have called for more funding for vocational education and training.

The Australian Government has announced some measures in an effort to address current skills shortages. We support the general thrust of these measures but further action is needed.

➤ *There is a strong need for better resourcing for pre-apprenticeship programs in trade related industries.*

The demand for pre-apprenticeship programs particularly in regional areas is currently not being met. Joint industry/government strategies need to be developed which enable more school leavers (both post year 10 and post year 12) to undertake full-time pre-apprenticeship TAFE programs.

➤ *There is an ongoing need for better careers advice to address misperceptions about vocational education and training and so that young people are more aware of the opportunities offered by the traditional trades.*

Amongst other things, consideration should be given to drawing more on TAFE expertise in providing careers counselling.

➤ *Changes are needed to the New Apprenticeship Programme.*

While this program has helped give people training opportunities, it has a number of shortcomings. The chief of these is that it puts too much emphasis on basic level training for short term needs. The Programme has tended to encourage people to undertake short term traineeships rather than traditional apprenticeships and higher level qualifications. The great majority of “new apprentices” are outside the traditional trades and are training for lower level qualifications in relatively low skill areas. The Programme needs to be better targeted to areas of likely skills shortage and more emphasis put on encouragement for higher level training.

3. A Strategy for Building the Skills of the Existing Workforce

TAFE is not just for school leavers. **TAFE is the main avenue for building the skills of the existing workforce**, reskilling workers in response to technological change and structural changes in the economy, and opening up new careers. This central role is particularly important in Australia since one of the legacies of the past is that **over 50% of the Australian population of workforce age have no post school qualifications. The proportion is even higher for women (60% of women 25-54 have no post school qualifications).**

⁴ Australian Industry Group, *World Class Skills for World Class Industries Accelerating Reforms to Vocational Education & Training*, July 2004

The median age of TAFE graduates is 27 and there are significant numbers in older age groups including the 40 plus age group, underlining the importance of TAFE for upskilling, re-skilling, improving the mobility of the labour force and as an avenue for life-long learning. The ageing of the Australian population and the accelerating pace of change, including career shifts as industry shifts, will combine to make TAFE's re-skilling role of growing importance in the future.

TAFE's vital role in building the nation's innovation capabilities is often not sufficiently understood. Vocational education and training is critical to ensuring that those who actually make products and provide services have the skills and knowledge to translate innovation into real productivity gains.⁵ This underlines the **need for much greater investment in the development of the technical skills that are essential for supporting research and to commercialising its results. This includes giving greater encouragement in VET and TAFE funding arrangements for the development of higher level vocational skills.**

In 2003, around one-third of TAFE graduates had gained qualifications at the Certificate IV, diploma or advanced diploma levels. The expectation is that the demand for higher level skills and more advanced qualifications will continue to grow in response to rapid technological change, globalisation and the move to a more knowledge-intensive economy.

➤ *It is crucial that governments provide TAFE with the resources to enable it to respond strategically and effectively with high quality training to the demand for higher vocational skill levels.*

4. A Strategy for Mature Aged Workers

The impact of an ageing population combined with the projected slow down in the growth of the potential labour force means that **action to increase mature age labour force participation is now seen as a national priority.**⁶

An effective strategy will need to have a number of elements including the provision of more flexible work options and retirement incomes and income support policies that do not provide disincentives to staying in the workforce. But encouraging older Australians to upgrade their skills and/or to acquire new skills to meet workplace needs will be a central part of that strategy.

TAFE's experience in providing training for older age groups means that it is well placed to play a central role in an expanded program of training for older workers. Over 25% of TAFE students are in the 40 plus age group.

Participation in the labour force is significantly lower across all age groups for those with no post school qualifications than it is for those with qualifications. **Improving skill levels, particularly in the case of the low skilled, is therefore a key element of improving overall participation rates but there are complex issues involved.**

⁵ Fitzgerald, Vince, *Skills in the Knowledge Economy: Australia's National Investment in Vocational Education and Training*, The Allen Consulting Group, March 2001

⁶ See for example Address by the Treasurer, the Hon Peter Costello MP, *Australia's Demographic Challenges*, 25 February 2004

➤ *TDA recommends that the Government initiate a review with the aim of determining the policies required to encourage mature aged workers to engage in further training to enable them to stay longer in the workforce and gain meaningful employment.*

We need to examine what set of policies will be most effective in encouraging older workers, especially the lesser skilled, to engage in education and training. Any review would need to look at a range of issues including

- how best to provide incentives to workers (including those who would expect to spend only a limited further period in the workforce) to undertake further training;
- industry's role in providing training for the older workforce;
- providing training for those who are unemployed or at risk of being retrenched;
- the role of counselling and careers advice;
- fees policy;
- funding issues, including the provision of places and support for mature aged students in TAFE.

5. A Strategy for Fostering Applied Research

TAFE Institutes can make a substantial contribution to innovation through conducting applied, vocationally oriented research which results in new products and processes. But this potential could be much better utilised.

The Government should be taking initiatives to support

- *the establishment of TAFE Centres of Excellence. These will develop middle and advanced vocational skills essential for key enabling technologies and with the capability to undertake research and development including in partnership with leading edge and regional industries;*
- *applied research projects involving TAFE Institutes and TAFE Colleges; and*
- *the establishment of a national scheme to encourage collaboration between the VET sector, universities and industry.*

6. A Strategy for Sustaining Regional and Remote Communities through Skills Development

TAFE Institutes have a key role in regional Australia. Not only are they often the only providers of vocational education and training, they are also expected to meet wider community expectations.

They are a major employer. They are an important source of information on technology and industry trends and they are looked to as a significant source of leadership in the community.

TAFE Institutes work closely with industry to identify opportunities and to provide the skilled people that will enable regional enterprises to operate successfully. In this way, they make a major contribution to regional economic growth. They have a particularly crucial role to play in regions undergoing structural change in providing retraining for workers who have been displaced as a result of industry shutdowns or decline.

However, the challenges and difficulties in servicing regional and isolated vocational education markets are not sufficiently recognised in current funding provision. Funding models need to take better account of factors such as distance, widely dispersed populations and the lack of adequate infrastructure that make delivery significantly more expensive in many regional areas, especially in the more remote parts of the country.

The Australian and State and Territory Governments need to

- *review and improve funding levels and allocation models to take into account the special features of regional and remote delivery and their cost impact;*
- *review the appropriateness of a competitive training market in regional and remote areas;*
- *develop a funding approach that enables Institutes to attract and retain quality staff;*
- *develop and implement a national strategy to ensure equity of access to broadband services for regional and remote Australia.*

7. A Strategy for Better Meeting the Needs of Disadvantaged Students

TAFE plays a crucially important role across the country in meeting the vocational education needs of people who face difficult circumstances.

TAFE provides education and training opportunities for:

- those from low income groups
- people who did not complete their secondary schooling and who may not otherwise pursue further education
- the unemployed
- remote communities
- Indigenous people
- those with disabilities and
- those from a non-English speaking background.

Resources are applied in TAFE Institutes to meet the special needs of these students, including waiver or reduction of fees where appropriate.

The provision of a range of student services for students with special needs and encouraging course completion are expensive. **Current funding models fail to take adequate account of the costs involved and the impact of cost absorption on the educational services that TAFE Institutes offer.**

- *Funding models need to be reviewed and changed to take better account of the costs involved in supporting students with special needs.*

8. A Strategy for Strengthening TAFE to Meet the Skills Challenge: giving TAFE a higher priority

If Australia is to significantly raise the outcomes from vocational education and training, it must as a nation commit itself to a sustained investment strategy in TAFE.

Currently, the TAFE sector represents only around 10% of total government spending on education and its share has been falling. By way of comparison, universities account for 26% and schools for 57%. Yet far more students are dependent on the TAFE sector than on universities for their education and training. And the applied and technical skills that TAFE develops are essential for Australia's economic development.

Total government funding (Australian Government and State) has failed to keep pace with the growth in demand for vocational education and training and as a result funding per curriculum hour is now very much less than it was in 1997.

Australian Government cutbacks particularly over the period 1997-2000 have been a major contributing factor. Total Australian Government expenditure was some 7% less in real terms in 2002 than it was in 1997. The pressure on TAFE has been particularly severe because funding for private providers was significantly increased at a time when overall funding was being cut back. Australian Government funding going to public providers fell in real terms by 24% over the period 1997 to 2000.

The Australian Government did provide some modest funding for growth over the period 2001-2003 but has not been prepared to offer any additional growth funding under a new ANTA Agreement that should have commenced in 2004. **The failure of the Australian Government and the States and Territories to reach agreement on a reasonable funding deal means that Australian Government funding under the ANTA agreement for 2004 is less in real terms than it was in 2003. This is exacerbating an already serious situation.**

The Australian Government has a vital leadership role to perform in ensuring that we have a high quality vocational education and training system.

➤ ***TAFE Directors Australia calls on any future government to commit to lifting national investment in the TAFE sector in an immediate and sustained way to ensure that Australia's skills development needs can be met and world class outcomes achieved.***

- **Additional funding is urgently needed:**
 - for training places in areas of skills shortage;
 - for places to meet the significant unmet demand;
 - to keep pace with the growing demand for places including for upgrading the skills of the existing workforce;
 - to ensure TAFE Institutes are equipped with up to date facilities and equipment;
 - to facilitate access to TAFE places for the disadvantaged, including those in rural and remote areas;
 - to enable TAFE Institutes to undertake applied vocational research; and
 - to invest in TAFE teacher professional development.

- **Action is also needed**
 - **to ensure that fees and charges are not a barrier to students wanting to undertake TAFE courses;**
 - **to review funding indexation measures; and**
 - **to address deficiencies in current funding allocation models.**

TDA recommends that as an immediate first step, the Australian Government commit to

- *providing additional growth funding of at least 5 % per year in real terms (or around \$180 million over three years in 2004 prices) under a new ANTA Agreement, ie new funding over and above the total level of funds being provided in 2004; and in addition*
- *bringing the funding currently being provided separately for Australian Working Together and RICP⁷ programs within the Agreement as originally proposed.*

The effect of this recommendation would be to provide an additional \$57 million in year one, \$60 million in year two and \$63 million in year three in much needed additional growth funds.

It would also bring back within the ANTA Agreement the special purpose funds (estimated to total around \$119 million over the three years 2004-2006) for people with a disability, older workers and parents returning to work, most of which were removed from the ambit of the Agreement following the breakdown of the negotiations between the Australian Government and the States at the end of December 2003.

These additional funds would be augmented if the Australian Government required the States and Territories to provide some matching funding.

The increase in aggregate funding would enable progress to be made towards reducing the current level of unmet demand, provide additional places for young people and the mature aged in response to recommended policy initiatives and assist the TAFE sector to respond effectively to general increases in demand including especially in areas of severe skill shortage.

There are, however, fundamental longer term issues about the adequacy of funding including for quality improvement, modernisation of equipment and facilities and better student support services, as well as about the adequacy of current funding models that would still need to be addressed.

➤ *TDA also recommends that the Australian Government initiate a high level, independent review of Australia's future vocational education and training needs and how these should best be met. This review should be required, inter alia, to examine and make recommendations on:*

- *the role of vocational education and training in meeting Australia's skills needs, its importance as a major part of the tertiary education sector and its relationship and interaction with other education sectors;*
- *the role of TAFE;*
- *the role of a competitive training market;*

⁷ Recognising and Improving the Capacity of People with a Disability initiative.

- *funding responsibilities, including those of industry and the individual as well as government;*
- *the amount of government funding support required to support a world class system, taking into account both operating and capital equipment needs;*
- *funding allocation models; and*
- *the most appropriate indexation measure to be used in maintaining the value of government funding in real terms.*

The Government has given considerable attention to higher education reform and to the schools sector. It has not in recent times reviewed in a holistic way the role of vocational education and training, its relationships with the other major education sectors and what needs to be done to ensure that Australia's future needs for world class skills are met. These are pressing questions.

There would be benefit in a high level review examining the issues involved, including the respective roles of industry and government, and what needs to be done to ensure that we have an effective and efficient system of public delivery and one that meets broader community expectations.

**TAFE Directors Australia
August 2004**