



**A NATIONAL STRATEGY  
FOR  
MEETING AUSTRALIA'S  
SKILLS NEEDS**

***A TDA POSITION PAPER***

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## Executive Summary

A highly skilled workforce is critical to Australia's future economic prosperity. Success in achieving key economic and social goals – overcoming current skill shortages, increasing productivity, increasing future workforce participation, higher standards of living, meeting the costs associated with an ageing population without putting an undue burden on younger generations, and improving job prospects for all Australians – will depend on improving Australia's skill levels. TAFE has a central role to play but the right government policies must be in place.

Current policies remain deficient in a number of respects. Neither government nor business is investing sufficiently in skills development. TAFE's potential is not being realised because it has been starved of funds. There is too much emphasis on basic level training for short term needs. Not enough attention is being paid to the development of the general skills that industry demand and that also lay the basis for acquiring new skills so critical for longer term success in the employment market. Nor is there enough emphasis on the acquisition of higher level skills. The training system that has been designed by the Australian National Training Authority is not sufficiently flexible and responsive to meet industry and individuals' needs. We need better pathways from school to TAFE and from TAFE to universities.

A comprehensive national strategy is urgently needed if Australia is to meet its future skill needs. This will require a new policy agenda and a much greater and more sustained commitment by government to investing in vocational education and training.

The strategy recommended by TAFE Directors Australia has two key elements: action to ensure that *all* Australians are given the opportunity of undertaking post-school education and training, coupled with a new government commitment to invest in and strengthen TAFE, the heart of our national vocational education and training system. Additional funding is urgently needed for new places to meet the ongoing growth in demand; to upgrade equipment and facilities; to cover the additional costs that are often involved in meeting special needs including those associated with providing for students from disadvantaged backgrounds, as well as the additional costs of delivery in more remote areas; to invest in professional development of teaching staff; and to provide better student support services.

These two actions will need to be complemented by a range of other measures to improve the design of the VET system and ensure that the training provided is of appropriately high quality and relevant to our needs. These measures include building TAFE's capacity to support innovation, addressing shortcomings in the design of our present national VET system, improving education and training pathways, making improvements to the apprenticeship and traineeship system, encouraging greater collaboration at the regional level in addressing skills needs, and developing strategies to encourage greater investment by business in training.

Expenditure on education and training produces a strong positive return. The approach we are recommending can be expected to lead to increased productivity and stronger economic growth, improved employment prospects for our young people, better job prospects for older workers, fewer skills shortages, and less pressure on the welfare budget. It should also promote greater social cohesion through improving education, training and employment opportunities for people in general and for those from disadvantaged backgrounds in particular.

# A NATIONAL STRATEGY FOR MEETING AUSTRALIA'S SKILLS NEEDS

## 1. The Challenge

Australia's future prosperity depends on our people having the skills needed in a modern, globalised economy. Australia's skill levels need to be world class 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.

The Intergenerational Report<sup>1</sup> and more recently the Australian Government's paper on *Australia's Demographic Challenges*<sup>2</sup> have highlighted the importance of both increasing labour force participation and increasing productivity if we are to achieve the higher economic growth rates that will be needed to meet the costs associated with Australia's ageing population.

Improving skill levels through vocational education and training will be central to a successful strategy for achieving these objectives. TAFE 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 – school leavers, young adults, those in mid-career and the mature aged. 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.<sup>3</sup> Overall, TAFE makes a huge contribution to the development of Australia's human and social capital.

TAFE clearly offers great potential to help realise national strategies for meeting Australia's future skill needs. But 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 on government putting the right policies in place and making a greater and more sustained commitment to investing adequately in vocational education and training. A comprehensive, well designed strategy is needed.

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<sup>1</sup> Australian Government, *2002-2003 Budget Papers, Budget Paper No 5 – Intergenerational Report*, May 2002

<sup>2</sup> Address by the Treasurer, the Hon Peter Costello MP), *Australia's Demographic Challenges*, 25 February, 2004

<sup>3</sup> 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. Current Deficiencies and Problem Areas

Although it is evident that quality vocational education and training is fundamental to Australia's future, current government policies remain critically deficient in many respects.

- There are persistent skill shortages in many traditional trades as well as some key professions. Urgent action is needed to make apprenticeships more attractive especially to our young people.
- The latest ACCI Survey of Investor Confidence shows that the availability of suitably qualified employees is the number one constraint on future investment. ACCI and other industry groups have called for more funding for vocational education and training.<sup>4</sup>
- The Australian Industry Group has 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 replace them. This is a huge gap. The situation in some regions including the Hunter and the Illawarra is particularly alarming.<sup>5</sup>
- There is too much emphasis on basic level training for short term needs.
- There is not enough attention being paid to the development of the general skills that industry demand, and that also lay the basis for acquiring new skills so critical for longer term success in the employment market.
- Nor is there enough emphasis on the acquisition of higher level skills.
- The system that has been designed by ANTA in accordance with government policies is not sufficiently flexible to meet rapidly changing industry needs.
- Nor is it sufficiently responsive to individuals' needs including the needs of displaced workers or those seeking to change jobs or upskill.
- The potential for VET in school programs for providing sound pathways to further VET training is not being fully utilised.
- We lack guaranteed, systemic pathways from VET to higher education.
- Neither government nor business is investing sufficiently in skills development.
- TAFE is being starved of funds; this is impacting on the number of places that can be offered and inevitably in the longer term on the quality of delivery.

The Australian Government has recently announced some measures designed to address skill shortages. In general these are welcome steps but they fall far short of the comprehensive strategy that is required. The challenge is not simply to meet current skills shortages – important though this may be – but to build our national skill levels as a whole. We must ensure that Australians, *all Australians*, have the knowledge and skill sets needed for them to contribute to and drive technological change, improve productivity, respond to changing industry needs, and to continue learning and acquiring new skills. The latter is the key to lifelong employability. Skilling our people is the only way in which we will be successful in meeting our long term economic and social needs.

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<sup>4</sup> ACCI Media Release 7 July 2004

<sup>5</sup> Australian Industry Group, *World Class Skills for World Class Industries, Accelerating Reforms to Vocational Education & training*, July 2004

### 3. A New Policy Agenda

A new policy agenda is needed. The centrepiece to this strategy has two elements: action to ensure that all Australians are given the opportunity of undertaking post-school education and training, coupled with a new government commitment to invest in and strengthen TAFE, the heart of our national vocational education and training system.

For the strategy to be comprehensive these two actions will need to be complemented by a range of other measures to improve the design of the system and ensure that the training provided is of appropriately high quality and relevant to our needs. These measures include building TAFE's capacity to support innovation, addressing various shortcomings in the design of our present national VET system, improving pathways from school to TAFE and from TAFE to universities, making improvements to the apprenticeship and traineeship system, encouraging greater collaboration at the regional level in addressing skills needs, and developing strategies to encourage greater investment by business in training.

### 4. A National Goal – Universal Post-secondary Education and Training

- ✓ Our aim should be to provide the opportunity for *all* Australians to undertake a minimum of two years of recognised and appropriate post-school education and training qualifications, including VET qualifications typically to at least Certificate III or IV level.

We know that school leavers who undertake further education and training have better employment outcomes than those who complete year 12 but who do not go on to further education or training. A lot of attention is being paid to our university system. But skilling our people is not just a matter of providing additional university places. We need to make much better provision for the 70% of people who do not go to university. In essence, this means providing more TAFE places and directing more funding to improve the quality of our vocational education and training system.

It is not just a matter of expanding the New Apprenticeship system. There also needs to be adequate provision for all those outside the current New Apprenticeship system including the many young people who cannot get apprenticeships, those undertaking full time TAFE study, and those studying and working but in an occupation not directly related to their study. Given that long term employment opportunities are generally much better at higher skill levels, we should as a general rule be encouraging people to gain qualifications at least at the Certificate III or IV level.

### 5. Investing in Australia's TAFE sector – making sure that it is better resourced

In recent years TAFE has been starved of funds. The situation has been exacerbated by the failure of the Australian and State and Territory Governments to reach a new ANTA agreement and provide funding for future growth. A strong TAFE sector will be critical to a successful national strategy for meeting Australia's future skill needs. Additional funding is desperately needed to support and build the capacity of the TAFE sector so that it can fulfil its role. A commitment by governments to provide the necessary funding is needed now.

- Funding is needed to meet existing unmet demand and keep pace in the future with the growing demand for places, including for upgrading the skills of the existing workforce.
- Funding is also needed to strengthen the quality of delivery by
  - equipping TAFE Institutes with essential technologically advanced facilities;
  - investing in TAFE teacher professional development;
  - fostering TAFE's clear potential for applied research and innovation particularly in technologically emerging areas; and
  - implementing strategies to meet the special needs of equity groups.
- Funding models need to make better provision for the resources required to meet special needs including the additional costs of delivery in more remote areas.
- Action is also needed to ensure that fees and charges are not a barrier to students wanting to undertake TAFE courses.

## **6. Improving Careers Advice - addressing misperceptions about the value of vocational education and training**

One of the reasons that young people are not being attracted in greater numbers into vocational education and training, and the skilled trades in particular, is that many in the community do not have a good understanding of current industry working environments and the range of opportunities and career options that can be opened up by VET qualifications. Lack of knowledge and misperceptions often extends to careers counsellors, school teachers, parents and others involved in advising students on their post-school options.

This is not an easy area to address. The Australian Government has recently taken some additional steps designed to improve careers advice including some support for professional development for careers practitioners, strengthening local community partnerships and encouraging greater industry engagement in schools, support for transition programs, and improved careers information relating to some specific industries. These all appear to be worthwhile actions. The issue has also been under discussion in MCEETYA.<sup>6</sup> But ongoing effort is needed.

- Both Australian and State and Territory Governments should give a high priority to improving the quality of careers advice. Amongst other things, consideration should be given to drawing more on TAFE expertise in providing careers counselling.

## **7. Meeting Industry Expectations – the need for up to date equipment and facilities**

TAFE is strongly industry focused. TAFE Institutes seek to be responsive to industry skill needs and to work closely with industry to deliver the best possible training outcomes. This has led to the development of a large number of partnerships between

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<sup>6</sup> Ministerial Council on Education, Employment and Youth Affairs

TAFE institutions and industry where TAFE is delivering programs at the workplace that are tailored to the firm's requirements. Among the benefits of these arrangements is training access to up to date equipment and facilities in current use in the sector but that TAFE Institutes would often not be able to afford.

There have been serious questions raised about the extent to which public providers are keeping abreast of leading edge industry demands.<sup>7</sup> As The Allen Consulting Group has pointed out in its report for the Business Council of Australia, many TAFE Institutes face a difficulty in obtaining and maintaining up to date equipment for use in the training process because of funding constraints and this is of concern. In some cases, the cost of specialised, high-tech equipment is such that public-private partnerships are an efficient way of meeting industry's training needs. However, there are limitations to the extent to which this approach can be pursued successfully not least because it will not cater adequately for all those students who are not already employed in the industry.

A further important consideration and a point that emerges very clearly from the BCA's report is that industry will not continue to have confidence in public providers if their ability to deliver high quality and relevant training is compromised by inadequate funding, including the funding necessary to maintain up to date facilities.

- Action needs to be taken now to improve funding allocations for TAFE infrastructure and equipment to ensure that our major training institutions have the up to date facilities essential for delivering quality training and ensuring that TAFE graduates have the skills that are required to work effectively in the modern workplace.

## 8. TAFE and Innovation

Surprisingly, the Government's innovation policies have given scant recognition to the role played by TAFE in the knowledge economy. TAFE plays an important role in building the nation's innovation capabilities in two main ways. As Fitzgerald and others have pointed out, 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.<sup>8</sup> 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.

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

- Action should be taken by the Government to
  - give more emphasis in funding arrangements under ANTA agreements to encouraging the upgrading of skills by existing workers;
  - add to initiatives in Backing Australia's Ability by funding capital infrastructure and additional TAFE student places for technical and

<sup>7</sup> See for example The Allen Consulting Group *The Vocational Education and Training System Key Issues for Large Enterprises*, A report prepared for the Business Council of Australia, 2004

<sup>8</sup> Fitzgerald, Vince, *Skills in the Knowledge Economy: Australia's National Investment in Vocational Education and Training*, The Allen Consulting Group, March 2001

paraprofessional skills development essential to commercialising research outcomes and innovation;

- support the establishment of TAFE Centres of Excellence which 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;
- extend the Australian Research Council linkages program to include TAFE/industry applied research projects;
- more actively support collaborative research projects between TAFE Institutes and universities; and
- consider establishing a national scheme to encourage collaboration between the VET sector, universities and industry.

## 9. Improving Pathways

TDA is very conscious of the importance of taking a holistic approach to meeting Australians' education and training needs and strengthening links and pathways between education sectors and the institutions in them. We need to make sure that there are no unnecessary barriers to students progressing from school to TAFE, whether from year 10 or year 12, and from TAFE to university.

### *Improving the transition from school*

There are several actions that should be taken to ensure that school vocational education and training programs provide a better foundation for transition to work and further training.

Schools delivering VET programs should be required to meet the standards for qualifications that apply in other parts of the VET sector and have the same quality systems in place. Unless this is the case, there will be difficulty in securing general acceptance of school based VET qualifications in the workplace or as the basis for further study.

The TAFE sector should be utilised to a much greater extent than it is at present to deliver VET in school programs. VET courses are not necessarily best provided by the schools themselves. TAFE Institutes offer the advantages of specialised staff with industry experience, better links with industry, and facilities and equipment that have been developed specifically for delivering VET programs. Funding models need to be reviewed and action taken to ensure that they do not provide a disincentive to schools for outsourcing VET delivery or other forms of collaboration between schools and TAFE.

There are other important ways as well to improve the transition from school to TAFE.

First, there needs to be better provision for funding for pre-apprenticeship programs in TAFE to cater for those school leavers who do not have sufficient skill levels to gain immediate entry into an apprenticeship program.

Second, and more fundamentally, consideration should be given to providing greater choice of educational programs for 15 to 17 year olds as part of a strategy for increasing retention rates and providing a better skill base for the country. There is a good case for

establishing a new form of education and training environment for young people through setting up vocational colleges, closely linked with TAFE. While having a distinct identity, such colleges could use the infrastructure, skills and experience of TAFE to deliver innovative applied learning and benefit from TAFE's close connections with industry. It would offer a strong pathway from school to TAFE that is appropriate and supportive for young people who may not thrive in a traditional secondary school setting, while at the same time delivering skills and knowledge that are usually seen as the province of generalist education.

- TDA recommends that action be taken
  - to improve school vocational education and training programs
    - by drawing to a greater extent on the TAFE sector for their delivery; and
    - ensuring that they meet the standards that apply in other parts of the VET sector;
  - to provide better funding for pre-apprenticeship programs in TAFE for those who do not have sufficient skill levels to gain entry into an apprenticeship program; and
  - to explore other options for improving retention rates for young people by for example establishing vocational colleges as an alternative to the year 12 programs provided in secondary schools.

### ***Better pathways from TAFE to university***

About 10% of TAFE students go on to university. It is a potentially important pathway to higher level qualifications especially for students from disadvantaged backgrounds. However, articulation and credit transfer arrangements are inconsistent, patchy and lack certainty for the student.

- Incentives are needed to encourage universities into the development of satisfactory, clear and reliable pathways, with fair credit recognition for students wishing to proceed from TAFE to university.

## **10. Addressing Deficiencies in the Design of the Vocational Education and Training System**

Changes are urgently needed to improve the design of Australia's VET system. The national VET system is the product of an approach agreed between the Australian, State and Territory Governments and which has been led by industry. Experience to date, however, is that in general it has not proved sufficiently flexible and responsive to either industry or individuals' needs. We need, for example, a much more flexible approach to Training Packages and TDA put this view strongly in submissions to ANTA's High Level Review of Training Packages.

It is essential that a more balanced approach be taken to skills development which gives appropriate emphasis to cognitive and behavioural skills as well as technical skills. Giving greater weight to problem solving, communication, team work, learning and other generic skills will enable people to deal much better with the range of contingencies that can arise in the workplace, assist labour mobility and provide a much sounder basis for life long learning and the ongoing acquisition of new skills.

Training Packages are not the right answer for all industries and there should be scope for curriculum based approaches where appropriate. A more flexible approach would also allow broader framing of competencies aimed at groups of industries which have similar skill sets and knowledge needs; speedier development and review cycles where warranted; greater creativity and innovation by providers in designing programs focused on meeting the needs of rapidly changing industries; greater scope for customisation and responsiveness to local circumstances and needs; and give individuals more options to “mix and match” including through choice of electives.

There also needs to be recognition that increasingly those in the workforce seeking to upgrade skills or acquire new skills will be looking to undertake modules rather than full qualifications.

Action needs to be taken to strengthen TAFE’s ability to provide training in newly emerging technologies and industries.

While it is now generally acknowledged that there are some real deficiencies in our current system, it is not always remembered that what we have has been driven by industry. Many of the problems and deficiencies in the design of our national training system would not have occurred if those responsible for delivery - the institutional providers - had been involved. There needs to be a commitment to proper consultation with providers and mechanisms put in place to ensure more effective consultation at all levels – national, regional and local.

- Action needs to be taken by government
  - to improve the design of the national training system to allow it to be more flexible and responsive to industry and individuals’ needs; and
  - to commit to proper consultation by the Australian National Training Authority and other government agencies with providers and put in place effective consultation mechanisms at all levels – national, regional and local.

## **11. Improving the Apprenticeship and Traineeship Incentives Program**

Much of the Australian Government’s VET policy focus has been on the New Apprenticeship Programme which provides financial incentives in the form of payments to employers to take on new employees, as well as some existing employees, as apprentices and trainees on a training wage. State and Territory Governments have the responsibility for funding the structured training component of new apprenticeships. The Programme is the principal mechanism being used to encourage industry to undertake more training of its workforce.

There are two important points to be made.

The first is that there is insufficient recognition that most people undertaking vocational education and training are not covered by the Programme. The number of New Apprentices has expanded rapidly, growing to over 400,000 by the end of 2003. However this is still very much a minority of the annual number (in excess of 1.7 million) of students undertaking publicly funded VET each year. While the Programme has encouraged employers to take on considerable numbers of trainees, providing many young people with the opportunity of combining training with a job, there are real

questions about the adequacy of government policy and funding provision for the major part of the VET system. It is not a sufficient strategy for meeting Australia's skill needs.

The second is that under the Programme there has been too much emphasis put 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. While there has been some growth in the numbers studying for AQF IV and above, the total numbers involved remain small. The great majority of "new apprentices" are outside the traditional trades and training for lower level qualifications in relatively low skill areas.

As the Senate Committee pointed out in its report<sup>9</sup>

There is a need to enhance the attractiveness of longer term VET training at intermediate and higher skill levels. This is the necessary foundation for the development of the fuller sphere of skills required to sustain the diverse range of industries, including niche industries, on which our future economic growth and social stability must be based.

The New Apprenticeship Programme needs to be overhauled to provide a greater incentive and encouragement for higher level training at the Certificate IV, diploma and advanced diploma level. There is also a strong case for modifying the incentive structure to give additional incentives to priority industry areas including areas where there appear to be structural barriers to training such as the traditional trades. We should be aiming for a program which produces skilled vocational outcomes, rather than simply a basic vocational qualification, and which represents a real investment in training in terms of duration, effort and commitment to off-the-job, as well as on-the-job, training. Incentives should therefore be structured to encourage higher level, quality training.

The Technology Cadetships proposed by the Australian Industry Group is a model that has wide applicability and merits support. It is designed to provide better structured entry level training to the skilled technician and para-professional levels in much the same way that the traditional apprenticeship has provided a base from which individuals can enter post trade and advanced trade levels. The cadetships would combine training, which would be delivered by a TAFE Institute or other RTO, and work experience. It is envisaged that there would be both one year (AQF 3) and two year (AQF 4) cadetships. Several different pathways are proposed including CAD/drafting, manufacturing planning, technical officer, laboratory operations, and biotechnology.

As part of the redesign of the New Apprenticeships Programme, more attention needs to be given to individual training plans and their monitoring to improve training outcomes. We support the suggestion by the Senate Committee that there would be value in providing additional Australian Government funding to TAFE providers to enable them to play a brokering role in the development and implementation of training plans.<sup>10</sup>

Special attention also needs to be given to the appropriateness of the current programme for meeting the needs of existing workers and changes made to improve completion rates and the quality of outcomes. Too much reliance is currently being placed on traineeships

<sup>9</sup> Senate Employment, Workplace Relations and Education References Committee *Bridging the Skills Divide*, November 2003, Page 59

<sup>10</sup> *Bridging the Skills Divide* p 76

and low level qualifications rather than on skills upgrading or acquiring meaningful new skills.

- In summary, action needs to be taken by the Australian Government to overhaul the New Apprenticeships Programme with a view to giving
  - a greater incentive and encouragement for higher level training;
  - greater emphasis to priority areas including areas where there appear to be structural barriers to training such as the traditional trades;
  - greater encouragement to providing meaningful training for existing workers who need to upskill or reskill if they are to continue to participate in an effective way in the workforce; and
  - more attention to individual training plans and their monitoring.

## **12. Specific Measures to Help Attract More People into the Traditional Skilled Trades and Meet Current Acute Skills Shortages**

The Australian Government recently announced a package of measures in an effort to address current skills shortages. TDA agrees that personalised support to assist young people make successful transitions from school to work or further study, and the provision of better information on careers, are areas that warrant priority attention. We support the action that is being taken.

TDA also supports action to explore and trial shorter traditional trade apprenticeships in an effort to encourage more new entrants into the traditional trades and be more responsive to industry needs. There would appear to be scope for training to be accelerated and completed in a shorter time frame than is currently the case. However, it will be important in any trial to ensure that all the fundamentals of the structured training program are retained and that the content and the quality of the training which is provided, and the resultant qualification, are not compromised. It would not be in Australia's longer term interests for skills qualifications to be debased because of short term exigencies in particular industries.

There are other actions that are warranted as well.

There is a continuing 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, largely because of funding issues. 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 TAFE programs to prepare them for an apprenticeship.

Given the decline in numbers of employers willing to take on apprentices in the traditional trades, funding for Group Training programs may need to be augmented.

More generally, further consideration needs to be given to some of the underlying reasons why young people are not attracted into the trades. It is not simply a matter of insufficient careers information or misplaced perceptions about opportunities in these industries. Other factors at play include industrial conditions and wage levels for apprentices. An effective strategy will need to address these issues as well.

- TDA recommends that as well as measures already announced, the Government act to
  - provide better resourcing for pre-apprenticeship programs in trade related industries; and
  - undertake a comprehensive examination of factors inhibiting entry of young people into apprenticeships and develop an appropriate strategy to address these.

### **13. Encouraging Collaboration at the Regional Level**

Skills needs vary from one region to another and identifying requirements and developing solutions needs to be done at the regional as well as the national level. TDA has long emphasised the contribution that TAFE can make to regional development through working with industry and local authorities to identify local development potential and associated skill needs and then developing appropriate training programs. There are a number of examples where this sort of collaborative approach has proved very effective and we have urged greater support for these endeavours.

It is pleasing, therefore, that the Australian Government in its recently announced package of measures has recognised the importance of regional approaches and intends to undertake some pilot programs to develop strategies that might have wider applicability. It will be vital to the success of these projects that TAFE Institutes as the major providers are fully involved.

- TDA recommends that the Australian Government extend its program of regional skills projects and fully involve TAFE Institutes as the major provider in these collaborative efforts.

### **14. Developing Strategies to Encourage Greater Commitment by Business to Training**

In the past, a large part of Australia's workforce training was undertaken by public sector utilities and big business. However, the reductions in corporate workforces, the decline in the relative importance of big business, the effects of fierce competition in a globalised environment, and the contracting out of many functions have all worked to lessen the interest and the ability of these organisations to provide training along traditional lines. The focus now tends to be much more on specific purpose training and low level qualifications to meet short terms needs, rather than investing in the future. Many firms rely on recruiting labour that is already skilled. This sort of approach, if continued, is unlikely to be effective in providing for industry's skill needs in the longer term. Nor will it provide the investment in skill formation that is so crucial to Australia's sound economic development.

Consideration needs to be given to the development of strategies that will encourage business to put more effort into training in the future.

There is scope for government doing more to educate industry on the long term benefits of investing in training and working with industry to build an industry culture which supports the continued development of skills. Unless employers are convinced of the commercial benefits of training they are unlikely to make the necessary commitment.

There is also a very important role for government in working with industry and providers in a strategic way to identify emerging skill needs and ways in which these might be met. Governments at both State and Commonwealth levels have a range of policies that are designed to assist and support the development of particular industries but the linkages between these policies and policies aimed at providing for future training needs are not at all clear. There should be more emphasis on a whole of government approach.

One option might be to make industry support, where it is provided, conditional on undertakings to meet specified training targets. This would be consistent with an approach which is designed to improve the long term competitiveness of the industry. There are already examples of industry assistance packages which contain particular requirements eg in relation to R&D.

- TDA recommends that the Australian Government develop and implement new approaches to encourage greater commitment by business to training.

## 15. The National Benefits of a New Approach

Essential funding for Australia's vocational education and training system has suffered in recent years because of the very short term view that has been taken of budget priorities.

Expenditure on education and training should be seen as a national investment in Australia's future. As many studies have shown, there is a clear linkage between education and training and economic growth<sup>11</sup>. It has been conservatively estimated that increasing the average level of education and training in Australia by one year would increase the annual GDP growth rate by at least 0.2% points (ie around \$1.4 billion in current dollars).<sup>12</sup>

There are also important social benefits to be gained from investing in education and training in terms of promoting equality of opportunity, improving individuals' employability, improving social cohesion, and improved health and well-being.

The approach recommended by TDA could be expected to

- lead to increased productivity and economic growth through increased skill levels;
- give individuals, including especially our young people, improved employment prospects and higher incomes;
- promote re-skilling of older workers, enabling those who so wish to stay longer in productive employment;
- reduce skills shortages by encouraging more people into the skilled trades and para-professional areas and making our labour force more mobile;
- reduce the proportion of people dependent on welfare benefits because they do not have the skills demanded by the labour market;

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<sup>11</sup> See for example the studies referred to in The Allen Consulting Group *The Vocational Education and Training System, Key Issues for Large Enterprises*, A report prepared for the Business Council of Australia, 2004; and Dowrick Steve, *The Contribution of Innovation and Education to Economic Growth*, Melbourne Institute Economic and Social Outlook Conference, April 2002

<sup>12</sup> *Ibid*

- promote greater social cohesion through improving education, training and employment opportunities for people in general and for those from disadvantaged backgrounds in particular; and
- make much better use of our training resources.

## 16. Summary of Recommended Actions

TDA calls on any future government to

- Establish a national goal that *all* Australians will be provided with the opportunity to undertake a minimum of two years of recognised post-school education and training, including VET qualifications typically to at least Certificate III or IV level
- Commit to investing in TAFE in a sustained way and as a first step make a commitment to provide additional funding to
  - meet existing unmet demand and to keep pace with the expected future growth in demand for places
  - improve allocations for TAFE infrastructure and equipment to ensure that our major training institutions have the up to date facilities essential for delivering quality training and ensuring that TAFE graduates have the skills that are required to work effectively in the modern workplace
  - strengthen the quality of delivery by
    - investing in TAFE teacher professional development;
    - fostering TAFE's clear potential for applied research and innovation particularly in technologically emerging areas;
    - changing funding models to cover the additional costs of delivery in more remote areas; and
    - implementing strategies to meet the special needs of equity groups.
- Act to ensure that fees and charges are not a barrier to students wanting to undertake TAFE courses.
- Give a high priority to improving the quality of careers advice.
- Strengthen TAFE's capacity to contribute to innovation by
  - giving more emphasis under funding arrangements to encouraging the upgrading of skills by existing workers;
  - adding to initiatives in Backing Australia's Ability by funding capital infrastructure and additional TAFE student places for technical and paraprofessional skills development essential to commercialising research outcomes and innovation;
  - supporting the establishment of TAFE Centres of Excellence;
  - extending the Australian Research Council linkages program to include TAFE/industry applied research projects;
  - more actively supporting collaborative research projects between TAFE Institutes and universities; and
  - considering the establishment of a national scheme to encourage collaboration between the VET sector, universities and industry.

- Improve school vocational education and training programs
  - by drawing to a greater extent on the TAFE sector for their delivery; and
  - ensuring that they meet the standards that apply in other parts of the VET sector.
- Provide better funding for pre-apprenticeship programs in TAFE for those who do not have sufficient skill levels to gain entry into an apprenticeship program.
- Explore other options for improving retention rates for young people such as establishing vocational colleges.
- Examine how universities can be encouraged into the development of satisfactory, clear and reliable pathways, with fair credit recognition for students wishing to proceed from TAFE to university.
- Lead action to improve the design of the national training system to allow it to be more flexible and responsive to industry and individuals needs.
- Commit to proper consultation by the Australian National Training Authority and other government agencies with providers and ensure that effective consultation mechanisms are put in place at all levels – national, regional and local.
- Overhaul the New Apprenticeships Programme with a view to giving
  - a greater incentive and encouragement for higher level training;
  - greater emphasis to priority areas including areas where there appear to be structural barriers to training such as the traditional trades;
  - greater encouragement to providing meaningful training for existing workers; and
  - more attention to individual training plans and their monitoring.
- Undertake a comprehensive examination of factors inhibiting entry of young people into apprenticeships and develop an appropriate strategy to address these.
- Extend the program of regional skills projects and fully involve TAFE Institutes as the major provider in these collaborative efforts.
- Develop and implement new approaches to encourage greater commitment by business to training.

**TAFE Directors Australia**  
**August 2004**