

GOVERNMENTS NEED TO MAKE 2017 THE YEAR OF VOCATIONAL EDUCATION AND TRAINING

The Australian Chamber of Commerce and Industry, the Australian Industry Group and the Business Council of Australia are calling on all governments to make 2017 the year when they renew their investment and reform focus on the vocational education and training (VET) sector.

The renewal is vital to ensuring Australia has a VET system that supports the growth of Australian industry, and offers opportunities to all Australians to fulfill their potential and be able to adapt and be successful in the global economy.

It is needed to address the malaise resulting from falls in investment in real terms, falling numbers of students, particularly apprentices, and abuse of VET FEE-HELP from poor quality providers.

The first step in this renewal should be the Commonwealth Government committing to establish a new National Partnership that continues their current investment of \$1.75 billion over five years for VET reform.

The second step should be for all governments to come together and agree to the new National Partnership focusing on the apprenticeship system. Apprenticeships is the area of reform where government will get maximum return on their investment, and provide the greatest opportunities for young people and Australian workers.

The continuing investment of \$1.75 billion over the next five years should use the knowledge and know-how of Australian industry to:

1. Create a genuine national system that is easy for students and employers to use.
2. Increase the number of Australians starting an apprenticeship and moving into work.
3. Remove duplication between governments and better align their programs, services, and funding.

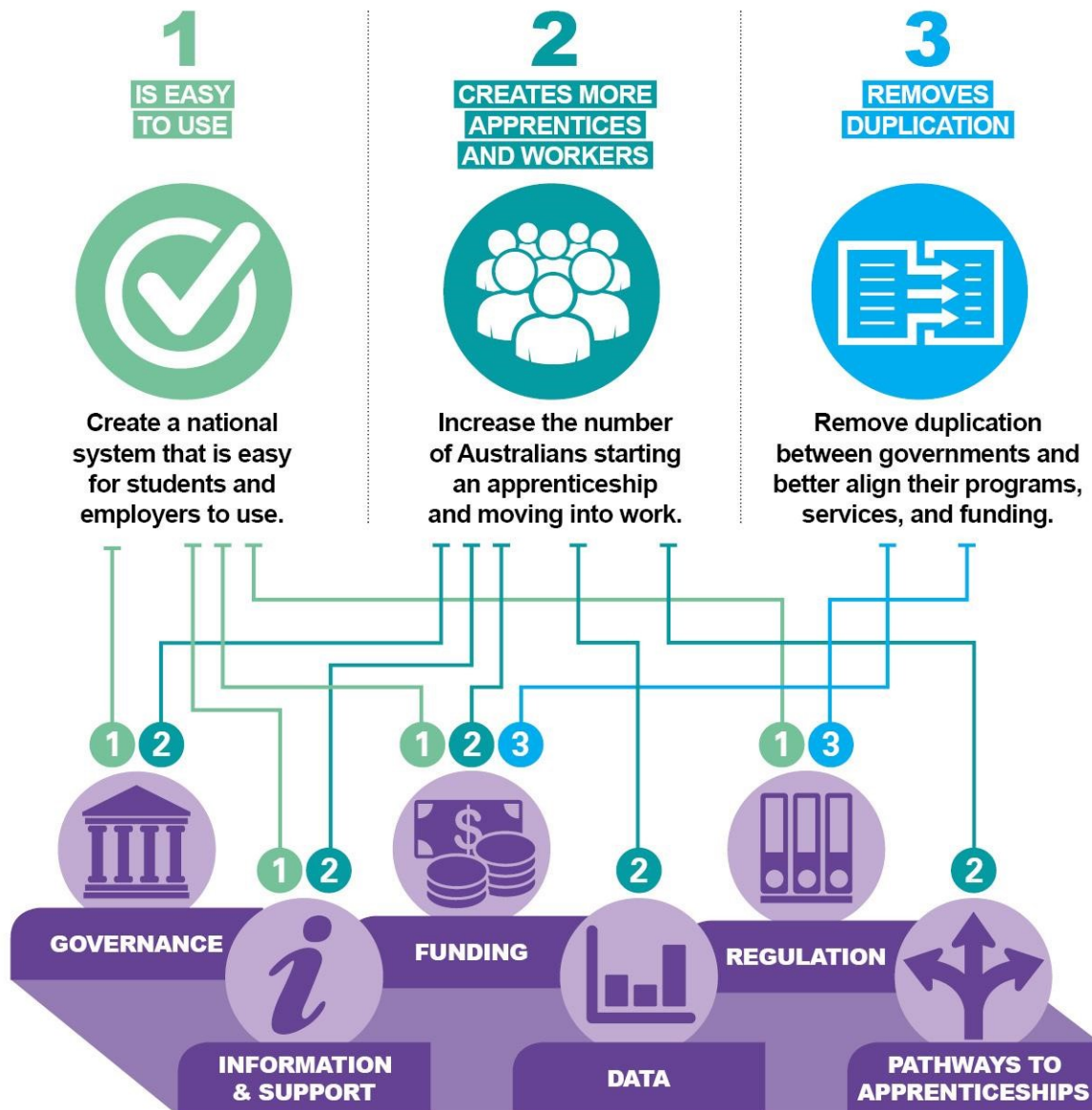
To achieve these three outcomes, the National Partnership should include apprenticeship reforms in the six key areas of:

1. Governance
2. Funding
3. Regulation
4. Information and support
5. Data
6. Pathways to apprenticeships.

Further steps in the renewal of the VET system should be prioritised by the Council of Australian Governments as part of an ongoing reform agenda.

The proposed National Partnership on Apprenticeship Reform

USE THE KNOWLEDGE AND KNOW-HOW OF AUSTRALIAN INDUSTRY TO CREATE A NATIONAL APPRENTICESHIP SYSTEM THAT...



TO ACHIEVE THESE THREE OUTCOMES, THE NATIONAL PARTNERSHIP SHOULD INCLUDE REFORMS IN THE SIX KEY AREAS ABOVE

The VET sector is vital to all Australians and our economic success

In the 21st century, the vast majority of Australians will need to complete a vocational education and training (VET) or higher education qualification to be successful in the labour market.

VET is a pathway to work for over 4 million¹ Australians a year and offers practical hands-on training across all industries. It gives young people and current workers the skills and knowledge employers are looking for in a fast-paced and dynamic global economy.

As a result, the VET sector is vital in providing a skilled pipeline of workers to Australian industries. The need for skills that the VET system delivers is stronger than ever, and employers regularly report skill shortages in areas of VET.

Despite its importance in offering opportunities to so many Australians, and building a skilled labour force for industry, the sector is facing a number of issues impacting on the supply of skills.

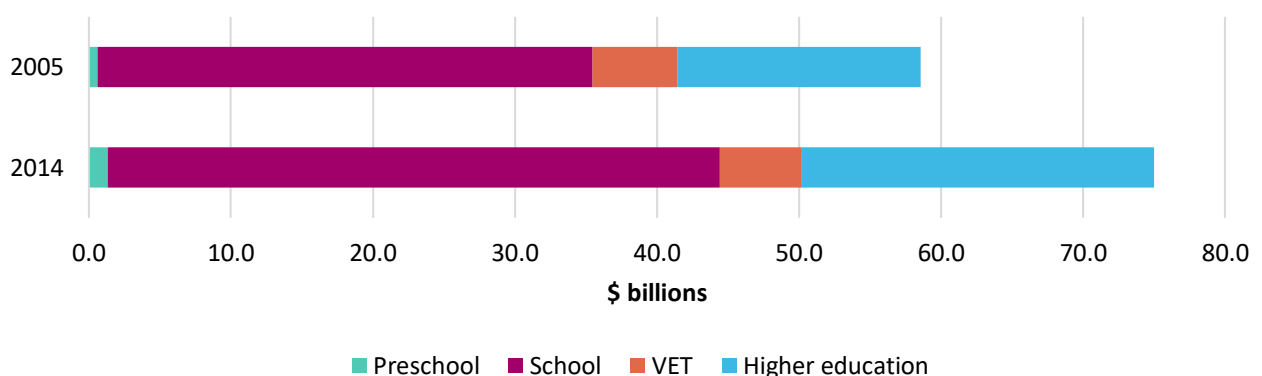
The VET sector is being left behind in government investment

Investment has grown in every education sector except VET

Expanding access to education for all Australians has been a central focus of successive governments in Australia for the last 40 years. As a result governments collectively now spend over 70 billion dollars each year on education.

However, when that expenditure is examined on a sector basis, over the last decade the VET sector has become the poor cousin of the higher education and schooling sectors.

Expenditure by sector, 2005-06 and 2014-15 (\$ billions)²



Source: ACIL Allen Consulting analysis based on Australian Bureau of Statistics data

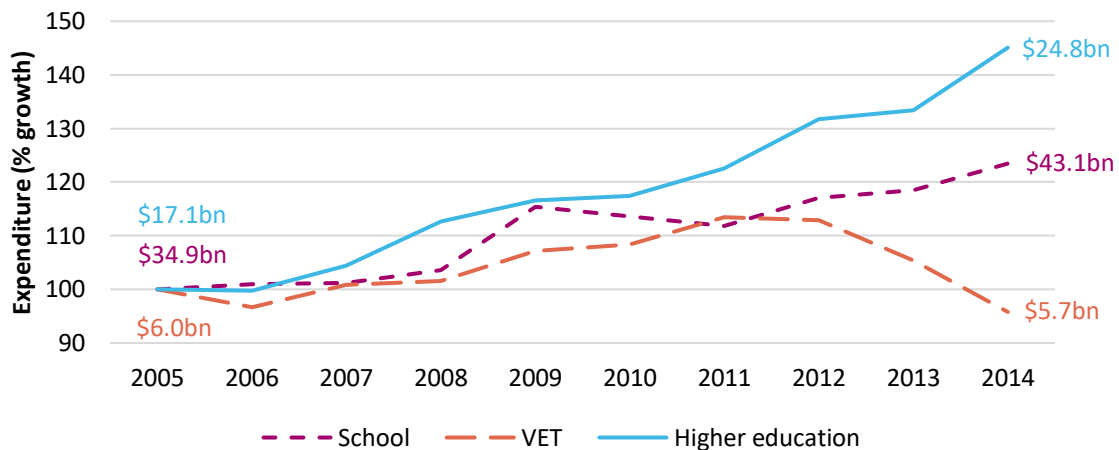
¹ Total VET students and courses 2015, July 2016, National Centre for Vocational Education Research, July 2016.

² Megan O'Connell and Kate Torii, Expenditure on education and training in Australia, December 2016, Mitchell Institute (reproduced with permission).

As detailed in the Mitchell Institute's 2016 report *Expenditure on education and training in Australia, update and analysis*, investment in the VET sector has fallen in real terms, and government expenditure on VET is now lower than it was 10 years ago.³

In the decade to 2014-15 national government expenditure in VET fell by 4.2 per cent, compared to higher education where there was growth of 45 per cent.

Change in expenditure on education by sector 2005-06 to 2014-15 (base year 2005-06 = 100)⁴



Source: ACIL Allen Consulting analysis based on Australian Bureau of Statistics data

The decline is far more marked in the most recent reporting year, with a decrease of 9 per cent or \$600 million in VET, again in stark contrast to a growth of \$2 billion in higher education.

Investment increased in VET FEE-HELP but the sector's reputation was tarnished

While overall investment was falling, Commonwealth investment in the student loans scheme of VET FEE-HELP was growing.

Unfortunately, the student loans scheme of VET FEE-HELP was abused by a small group of poor-quality providers who took advantage of students and wasted taxpayers' dollars.

It is unknown how much of the investment growth in VET FEE-HELP was abused and how much of it was used to assist students to enrol in much-needed courses.

But what we do know is that as a result of the failures in the implementation of the scheme, the Commonwealth Government has felt compelled to create a new stringent regulatory scheme to ensure abuse is not repeated.

This includes an overall cap on the loans, which does not exist in higher education and has therefore created a two-tiered system between VET and higher education. The opportunity to implement a common student loan scheme for all tertiary students has been missed. We note the government had to act with urgency, but encourage them to ensure a common scheme

³ ibid.

⁴ ibid (reproduced with permission).

remains on the longer-term agenda.

We also know that the behaviour of a small group of providers has tarnished the reputation of the sector as a whole, including the 4000 providers who were not involved in VET FEE-HELP.

The fall in investment has come at a cost

Over the last decade, the number of students enrolled in VET has fallen across the country, but most notably in NSW (a 13.3 per cent decrease), South Australia (an 8.6 per cent decrease) and Tasmania (a 7.9 per cent decrease).⁵

However, when the number of students is considered in tandem with the beginning of the real funding decline in 2012, the drop is significant.

Government funded students by state and territory 2012-15 ('000)⁶



Similar to the funding situation, the decrease in enrolments is particularly concerning for the last reported year, with a national drop of over 10 per cent in a single year.

Apprenticeships are under siege

Apprenticeships are a cornerstone of the VET system. It is through the apprenticeship system that Australia has created a skilled community of tradespeople who contribute to our economic growth and living standards.

Tradespeople start small businesses, take risks, employ people, and are often the backbone of regional communities, and they begin their professional lives as apprentices.

But when government investment and enrolment data is examined through the prism of apprenticeships, it is easy to argue there is a crisis in the apprenticeship system.

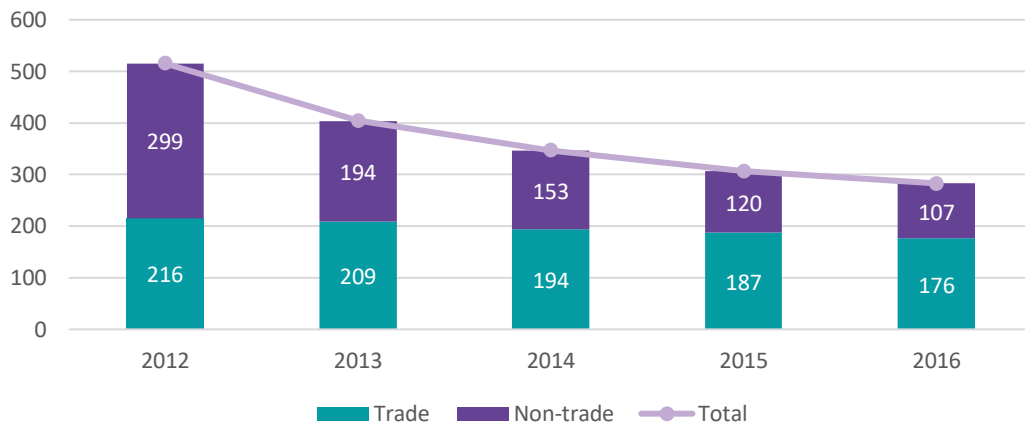
As illustrated in the chart below there has been a 45 per cent decrease in the number of apprentices in training between 2012 and 2016.

⁵Analysis of NCVER 2016, Historical time series of government-funded vocational education and training in Australia, from 1981, NCVER, Adelaide.

⁶ Ibid.

This decline is primarily for non-trade apprentices with a dramatic drop of 64 per cent, but trade apprentices have also experienced a worrying decline of nearly 20 per cent.

Apprentices in training by trade and non-trade 2012-16 ('000)⁷

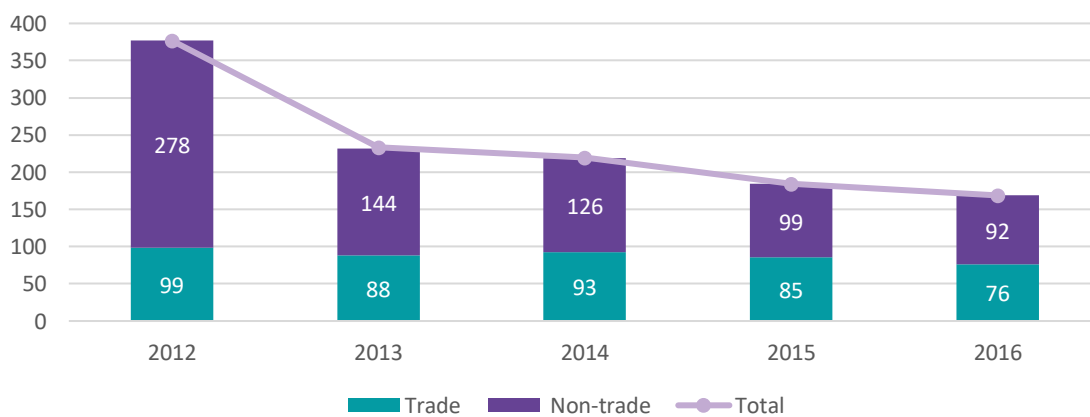


Commencements in the apprenticeship system tell a similarly stark story.

As illustrated in the chart below, between 2012 and 2016 the number of workers starting an apprenticeship dropped by more than half.

In 2012 close to 400,000 Australians had the opportunity to start an apprenticeship and find a pathway to work. In 2016 this had dropped to less than 200,000 potential workers.

Apprenticeship commencements by trade and non-trade 2012-16 ('000)⁸



This loss of opportunity is across all age groups, but is particularly concerning for young Australians who struggle to transition from school to work, as evidenced by our youth unemployment rate, which is much higher than the overall unemployment rate.

115,000 young Australians started an apprenticeship in 2012. This was down to 77,000 by 2016.

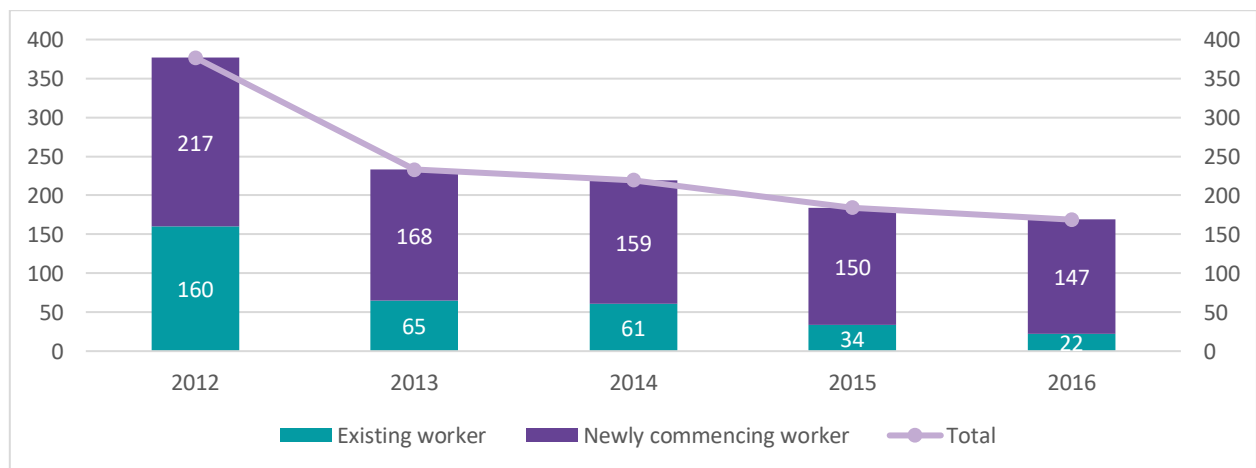
⁷ Analysis of NCVER 2016, Historical time series of apprenticeships and traineeships in Australia, from 1963, NCVER, Adelaide.

⁸ *ibid.*

The significant decline in apprenticeships for existing workers is equally concerning. As illustrated in the chart below, the number of existing workers commencing an apprenticeship fell by an astounding 86 per cent.

This was a significant loss in both absolute terms and the share of the market. Existing workers decreased from 43 to 13 per cent of the market, and had a drop of close to 140,000 apprenticeships.

Apprenticeship commencements by new and existing workers 2012-16 ('000)⁹



In a changing economy where workers have to adapt to new technology and industries, apprenticeships are a pathway for current workers to reskill and continue in the labour market, and these opportunities need to be enhanced rather than constricted.

Apprenticeships are also a model that can be expanded beyond the traditional trade base to include higher level qualifications, new occupations and emerging areas of the economy.

2017 must be the year all governments recommit to VET

Governments cannot allow this neglect of the VET sector to continue. This is not the problem of one level of government, but the problem of all governments. They have jointly committed to:

*'... achieve a VET system that delivers a more productive and highly skilled workforce, enabling all working age Australians to participate effectively in the labour market and contribute to Australia's economic future.'*¹⁰

The VET sector has traditionally been one of strong industry leadership, and it is time for that leadership to be explicitly acknowledged. We are calling on governments to meet their commitment to work in partnership with business and industry to develop the skills of the Australian people.¹¹

It is clear that the VET sector needs a united effort from all governments and industry to rebuild it so it can support the growth of Australian businesses and jobs, and provide opportunities for all

⁹ ibid.

¹⁰ National Agreement on Skills and Workforce Development.

¹¹ ibid.

Australians.

Governments can demonstrate their commitment through three steps.

Step 1 is for the Commonwealth Government to commit to continuing their \$1.75 billion over the next five years for reform of VET in the form of a National Partnership.

Step 2 is for all governments to acknowledge that the apprenticeship system is on the tipping point of crisis, and use the National Partnership funding to reinvigorate and modernise this foundation of Australia's VET system.

Step 3 is for governments to work together with industry to build a vision and reform agenda for this vital sector.

Elements of a National Partnership on Apprenticeship Reform

In order to reform the apprenticeship system, the Australian Chamber of Commerce and Industry, Australian Industry Group and the Business Council of Australia urge the Commonwealth Government to continue its investment of \$1.75 billion for VET reform over the next five years, and for all governments to commit to a National Partnership to reform the apprenticeship system.

This section lays out the elements required to achieve reform.

The National Partnership should use the knowledge and know-how of Australian industry to:

1. Create a genuine national system that is easy for students and employers to use.
2. Increase the number of Australians starting an apprenticeship and moving into work.
3. Remove duplication between governments and better align their programs, services, and funding.

The following section details the core reform elements industry would urge governments to adopt, and maps each element to the desired outcomes.

It is important to note that no single element will deliver the reform that is needed. Industry acknowledges that some of the proposed elements will present some challenges for governments, and that the challenges will be different depending on the State and Territory.

We cannot ignore these challenges, but nor can we allow the apprenticeship system to continue to deteriorate as a major training pathway in this country.

GOVERNANCE

Elements

1. The national apprenticeship and traineeship system should be led by a National Apprenticeship Board, which is established by and reports to the COAG Skills Ministerial Council, but is chaired by and comprised of industry representatives.
2. The Board will have responsibility for:
 - developing and issuing clear nationally consistent definitions of apprenticeships and traineeships and their pathways
 - determining which VET qualifications are suitable for apprenticeships and traineeships, including arrangements that bring in innovative approaches to blend vocational and higher education
 - identifying a nationally consistent approach to funding levels for each qualification, recognising that there will be a need for variation due to location and delivery mechanisms across jurisdictions.
3. The Board will review the qualifications list every six months, and will assess new qualifications for apprenticeship and traineeship pathways as they are developed.
4. The Board, supported by an independent secretariat, will also have responsibility for providing policy advice to the Ministerial Council on all matters related to apprenticeships and traineeships.

What these elements will achieve

The current system has different rules in different states so it is difficult for students and employers to navigate. For example, a course can be classified as an apprenticeship in NSW, a traineeship in South Australia, and as neither an apprenticeship or traineeship in Victoria.

These inconsistencies are not limited to classifications; they extend to both the expectations on students as well as the funding.

The establishment of a National Board under industry leadership would empower industry to create a national system whereby each VET course was designated as an apprenticeship, traineeship or neither, along with the minimum level of funding.

This would create a system that potential students and employers could easily understand, and would take advantage of the depth of knowledge and know-how within Australian industry.

FUNDING

Elements

1. Funding for apprenticeships and traineeships will continue to be based on demand-driven approaches reflecting employment opportunities.
2. Delivery funding and course priorities are determined by each State and Territory, and funding is accessed from the National Agreement funding and jurisdiction-own revenue. Note: the minimum funding level for each qualification, as determined by the National Apprenticeship Board must be provided if a State or Territory funds the qualification.

OR

Delivery funding and course priorities are determined by the Commonwealth in consultation with the National Apprenticeship Board, with delivery funding provided out of the National Partnership.

3. A review is undertaken of the full costs associated with apprenticeships and traineeships (for employers, students, and government) and recommendations are developed to ensure funding is targeted at improving commencements and completions.
4. In addition to apprenticeship and traineeship delivery, all forms of support services need to be sufficiently funded. Apprenticeship support, incentive funding and trade support loans remain the responsibility of the Commonwealth.

What these elements will achieve

The continuation of demand-driven approaches will ensure that if an employer and potential apprentice are both willing to enter into a contract, a lack of funding will not prevent an apprentice starting.

Industry acknowledges governments do not have infinite resources, and will therefore need a form of rationing to ensure funding goes to priorities. As part of the National Partnership, governments will need to decide which level of government makes these decisions.

However, it is also important that the funding level of a course is relevant to the cost so funding does not act as a disincentive. The Board establishing a floor of funding for each qualification would achieve that.

A review of the full costs associated with apprenticeships and traineeships would provide independent advice about unnecessary duplication, the programs available and their relevance, and the true costs of the apprenticeship system.

This review would then allow the development of a streamlined system, ensure each party (employers, students and government) is contributing their fair share, and government funding is targeted to increase the number of apprentices.



REGULATION



Elements

1. The National Apprenticeship Board will oversee a shift to the national system removing national inconsistencies and unnecessary regulatory burdens that hinder participation.
2. The National Apprenticeship Board will develop a national set of standards for apprenticeship and traineeship regulation, and each State and Territory commit to adhering to the standards.

OR

The Commonwealth government assumes responsibility for regulation of the national apprenticeship and traineeship system.

What these elements will achieve

Regulation is an important tool for ensuring government funding delivers value for money for taxpayers, and to ensure learners acquire the skills they need to contribute to Australians businesses.

However, our current regulation does not deliver on this. Regulation is one of the hidden costs of apprenticeships, and one of the biggest barriers for students and employers in understanding and using the system.

Creating a national set of standards will return regulation to its core purpose and remove it as a barrier to the creation of more apprenticeship positions.



INFORMATION & SUPPORT



Elements

a) Student support

1. To develop a better informed market, government working with industry, should develop material in a suitable form which targets potential apprentices and that clearly outlines the functions of each role, what they can expect in each stage of their apprenticeship or traineeship, what employers expect from their apprentice or trainee, wages for each stage of their training and potential future earnings, and future career options associated with the apprenticeship or traineeship.
2. A pre-intake process is developed and used for all potential apprentices and trainees that includes appropriate literacy and numeracy testing, aptitude testing, personality testing and career guidance.
3. On-going access and support is provided to students through third-party mentoring,

including peer mentoring and utilisation of the group training framework as appropriate.

b) Employer support

1. Improved information is to be developed and distributed that better outlines the business case for taking on an apprentice or trainee to encourage more employers to engage.
2. Professional development is to be available for new employers taking on apprentices and trainees that provides a framework for the management of the roles.
3. There needs to be strong engagement by the training provider with employers, including linking the off-the-job training to the relevant workplace.
4. Engagement opportunities and support should be provided to participating employers including through support services and group training arrangements.

What these elements will achieve

Many young Australians and current workers do not know about the wide career opportunities available through the apprenticeship system. Filling this knowledge gap in the market should increase the potential supply of apprentices.

Apprenticeships require a great deal of commitment on behalf of the learner and the employer. The requirements on both parties are not always well understood, and this contributes to the high drop-out rate from the system.

Ensuring the apprenticeship system attracts both learners and employers who are willing to make the effort and commitment needed, should increase the number of apprentices qualifying and transitioning as permanent workers.



DATA

2



Elements

1. The implementation of the national apprenticeship and traineeship framework needs to be underpinned by a strong evidence base and data collection through the NCVER. This data needs to be available in a timely way to better inform policy and implementation.
2. An independent review be undertaken of apprenticeship and traineeship data to determine how to ensure government and industry have access to timely data to monitor the system, assess the costs of apprentices and trainees and assess value for money of government expenditure.

What these elements will achieve

Any reform agenda needs to be measured and evaluated to ensure the outcomes are being achieved.

Timely access to data will allow industry and government to work together to determine if adjustments are needed in the reform agenda.



PATHWAYS TO APPRENTICESHIPS

2



Elements

1. Within the context of continuing levels of youth unemployment there is a need to clearly define and support pathways to apprenticeships and traineeships, including pre-apprenticeship arrangements and programs such as Youth JobsPaTH and other state and territory-based programs.
2. Increased opportunities need to be made available to assist employers to offer disadvantaged young job seekers apprenticeships and traineeships, and to support job seekers to access them.
3. Measures need to be adopted to facilitate greater participation by schools and employers to enable the wider implementation of the school-based apprenticeships and traineeships.

What these elements will achieve

Youth unemployment continues to be a concern in Australia, particularly in regional areas. Apprenticeships, as the only pathway of earning and learning, need to be a key focus of reducing youth unemployment.

The current pathways to apprenticeships are inconsistent and messy. Some programs act as a barrier to young people getting an apprenticeship because they have studied subjects in school, but do not have sufficient work-based skills.

Developing clear and consistent pathways will provide an ideal mechanism for young people to learn about the opportunities available, as well as act as a 'try before you buy' option. If managed effectively they can also provide a quicker pathway to work and reduce the drop-out rate.