Working for business.
Working for Australia

Response to the Productivity Commission Interim Report on the National Agreement for Skills and Workforce Development

July 2020

Australian Chamber of Commerce and Industry

Australian Chamber of Commerce and Industry

WORKING FOR BUSINESS.
WORKING FOR AUSTRALIA
Telephone 02 6270 8000
Email info@australianchamber.com.au
Website www.australianchamber.com.au

CANBERRA OFFICE
Commerce House
Level 3, 24 Brisbane Avenue
Barton ACT 2600 PO BOX 6005
Kingston ACT 2604

MELBOURNE OFFICE
Level 2, 150 Collins Street
Melbourne VIC 3000

SYDNEY OFFICE
Level 15, 140 Arthur Street
North Sydney NSW 2060
Locked Bag 938
North Sydney NSW 2059

ABN 85 008 391 795

Disclaimers & Acknowledgements
The Australian Chamber of Commerce and Industry has taken reasonable care in publishing the information contained in this publication but does not guarantee that the information is complete, accurate or current. In particular, the Australian Chamber is not responsible for the accuracy of information that has been provided by other parties. The information in this publication is not intended to be used as the basis for making any investment decision and must not be relied upon as investment advice. To the maximum extent permitted by law, the Australian Chamber disclaims all liability (including liability in negligence) to any person arising out of use or reliance on the information contained in this publication including for loss or damage which you or anyone else might suffer as a result of that use or reliance.

Executive Summary

This response to the Interim Report on the National Agreement for Skills and Workforce Development (NASWD) encourages a focus on funding, including the importance of consistent real growth in the government investment in VET.

Although apprenticeship supports and settings, careers information, training package development, VET in schools, PaTH, jobactive, transitions to work and regulation are all very important issues to ACCI and its members, comments on these are not included in this submission, despite having strong policy positions in relation to all of them. We urge the Commission in its final report to not make recommendations in these areas. Each of them have been worthy of inquiries in their own right, and recommendations based on superficial analysis will not add value to the broader debate on VET reform and indeed could be counterproductive.

The most significant gap in the Interim Report is the lack of commentary on decline in the overall investment in VET during the period covered by the NASWD post-2012, despite the agreement referring explicitly to the need to deliver stability in funding.

It is not sufficient, given the unsatisfactory experience of the current agreement, for the principles to include a recognition of fiscal sustainability and stability of funding. It is essential that any new national agreement have two underpinning metrics:

- Demonstration by each signatory to the agreement to overall funding growth
- Growth in the number of publicly funded students.

The reliance on skill shortage analysis to inform funding has many shortcomings. Skills analysis and forecasting should inform policy, not direct or dictate it as there is a real danger that skill needs will be left unsatisfied if investment is too targeted, or if changed too frequently, as this creates uncertainty and system disengagement.

ACCI agrees with the comments in the Interim Report that there is a general lack of transparency on subsidy settings and the rationales for subsidies as well as a lack of transparency on course costs faced by students and this leads to poor policy outcomes and ill-informed decisions.

The Commission is urged in its final report to explore options for a model of assessing subsidy rates for training courses that encompass a broader range of variables and we do not see student vouchers as a viable option in the foreseeable future.

Apprenticeship incentives have a strong role to play in both apprenticeships and traineeships as they improve the overall business case for employers to take an apprentice on. A broadly applied training levy is not supported, as apart from it being yet another tax, it provides no guarantee that the net investment in VET will rise, and instead encourages cost and revenue shifting.

The VET Student Loan scheme is overly restrictive, as it is focused on preventing fraud and ensuring fiscal sustainability rather than a way of achieving skills development and providing affordable access to training. Any extension of the VSL should be done cautiously and on the back of evidence of performance in the steps that could be taken along the way.

Australian Chamber of Commerce and Industry

Table of Contents

1 Introduction

This response to the Interim Report on the National Agreement for Skills and Workforce Development (NASWD) builds on the initial submission by ACCI to the Commission Inquiry. It encourages the need to focus on funding, including the importance of consistent real growth in the government investment in VET. The submission also deals with interim recommendations and requests for information in those policy areas related to funding that are important to ACCI members including apprenticeship incentives, course subsidies, VET student loans, labour market analysis, and transparency.

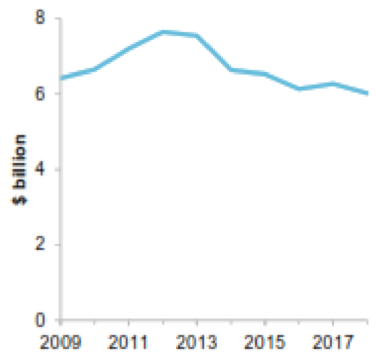
2 Focus on Funding

In its initial submission, ACCI encouraged the Commission to focus on funding as set out in its Terms of Reference. Although apprenticeship supports and settings, careers information, training package development, VET in schools, PaTH, jobactive, Transitions to Work and regulation are all very important issues to ACCI and its members, ACCI will not be commenting on these in this response to the Interim Report, despite having strong policy positions in relation to all of them. We urge the Commission in its final report to not make recommendations in these areas. Each of them have been worthy of inquiries in their own right, and recommendations based on superficial analysis will not add value to the broader debate on VET reform and indeed could be counterproductive.

3 Total Funding of VET

The most significant gap in the Interim Report is the lack of commentary on decline in the overall investment in VET during the period covered by the NASWD post-2012, despite the agreement referring explicitly to the need to deliver stability in funding. The only reference to the shift over time is a small graph in Appendix D of the Interim Report (reproduced here) which is included in the Report without comment.

a. Real VET recurrent expenditure[a]



[a] Real series uses GDP deflator and is in 2018 dollars.
Sources: NCVER (2019e, 2019q), SCRGSP (2020).

When referencing the overall government VET investment of $6.1 billion, the commentary in the Interim Report focuses on the spending efficiency of this amount, if anything with a bias towards reducing it through substitution of loans for subsidies. The wording references the “manifest capacity to better allocated the $6.1billion” (p2)[1] without any reference to the manifest need for governments to invest more in skills development.

[1] References to page numbers (p2) throughout this submission relate to the page numbers of the Productivity Commission *Interim Report, National Agreement for Skills and Workforce Development Review*, May 2020

The Commission acknowledges in the Interim Report that "Training in nationally recognised programs has been declining in recent years" (p5) and also notes the decline in employer satisfaction (p8) without including in the possible reasons for these declines any reference to inconsistent or decreases in subsidised places.

The Interim report made no comments on:

- The overall fall in investment and the drop in the number of publicly funded students and whether this disinvestment was warranted based on the needs of a growing economy and an emphasis on creating a more highly skilled workforce
- The different investment histories of each state and territory, as well as the Commonwealth. In our initial submission, ACCI provided evidence that illustrated the significant difference in investment during the period of the NASWD and also the difference in the number of publicly funded students. These graphs have been reproduced as an Appendix for the sake of convenience.
- Whether the current split in investment by the Commonwealth and the State and Territory governments is appropriate, and whether there is a more efficient allocation of roles and responsibilities that would reduce the inefficiencies.

We urge the Commission to address all of these issues in its final report. So many of the problems in the last decade associated with VET can be traced back to the inconsistent approach taken to funding, including the cost shifting that has occurred between the Commonwealth and State/Territory jurisdictions.

It is not sufficient, given the experience of the current agreement, for the principles to include only a "recognition of fiscal sustainability and the stability of funding. (p37). It is essential that any new national agreement have two underpinning metrics:

- Demonstration by each signatory to the agreement to overall funding growth
- Growth in the number of publicly funded students.

Surely, the NASWD is a bargain that should be kept in its most fundamental way, with governments held to account if they do not keep up their end of the investment deal. Such a commitment should minimise cost shifting and lead to more consistent policy approaches.

4 Benefits of VET

In the discussion on public and private benefits of VET in the report, it is notable given the report is undertaken by the Productivity Commission that benefits arising from the productivity gains delivered through improved performance of work by a trained worker appear to be largely overlooked. Indeed, throughout the report, although there are many comments made on why the government subsidises training, most of these comments refer to the need to satisfy skill shortages rather than the creation of a more highly skilled workforce. The only exception to this is the comment that the "overarching intent of the Australian, State and Territory governments' investment in the VET system is to increase the level of skill formation and to generate future economic and social benefits" (p111) but unfortunately this is not further explored.

To a significant extent, labour productivity gains can be achieved through less formal training and experience processes, but formal training processes often bring skills and levels of performance to workplaces that are more efficient and effective than the current business practices.

Labour productivity improvement also frees up labour to be available in other parts of the economy. This is important in understanding the public benefit in subsidising training in the more intensive service economy, as well as in the areas that have more formalised VET pathways. It provides a counterbalance to the traditional measurement of productivity arising from education which is wage increases. As many of the service industries deliver benefits that can be lower relatively speaking if measured in this way, there needs to be some other acknowledgement of the real productivity gains achieved by a well-trained worker.

The bias against the benefits of structured training to services industries shows up in the report, and indeed the system, in a range of ways. For example:

- Financial incentives in non-trade areas delivered "questionable benefits.. for genuine skills formation… in areas deemed to be low priority and was associate with rorting." (p30).
- Targeted arrangements for trainees should be retained to "avoid subsidising training activities that have little effect on skill augmentation." (p31). What is the evidence that this occurred?
- In commenting on the increase in traineeships by 2012, the Commission comments that "much of the increase was in industries deemed to be low priority such as retailing" (p163)

The beneficiaries of the productivity gain are shared amongst the worker, the employer and the economy generally. These productivity gains are just as valuable in industries where a VET qualification is not a requirement as they are to occupations where VET is an established, even at times, obligatory pathway.

5 Principles of a new agreement

ACCI is comfortable with the recommendations in the Interim Report in relation to the principles which should underpin a new national agreement with the exception that there should be one that commits jurisdictions to overall funding growth based on the recognition that Australia requires an increasing skilled workforce. In that regard it should be noted that "fiscal sustainability" is achieved through government prioritisation of its spending and should still be met by a commitment to long term real growth in funding.

6 Funding based on skills shortages

The reliance on skill shortage analysis to inform funding has many shortcomings. As mentioned in our previous submission, skills analysis and forecasting should inform policy, not direct or dictate it as there is a real danger that skill needs will be left unsatisfied if investment is too targeted, or if changed too frequently, as this creates uncertainty and system disengagement.

In this context, although ACCI has been one of the loudest voices in support of the need to consolidate resources and improve labour market analysis, we are in strong agreement with the following comment in the Interim report (p116):

> *Notwithstanding the prominence given by all Australian governments to elaborate skill lists, their usefulness is limited by data problems, methodological challenges and their application*.

The recent controversy of the Additional Identified Skill Shortages revealed that the analysis on which it was based relied on skill shortage analysis of less than 100 of the skilled occupations due to resource limitations within the department. As identified in the Interim report (p117), the analysis also does not sufficiently reflect regional differences.

The report called for more information (p38) on how to improve the skills shortages process and we offer the following:

- At the national level, the NSC should implement an annual process of analysis and consultation with industry that informs all of the forecasting and lists that they produce.
- The annual schedule should be known in advance and provide sufficient notice for industry input.
- Utilise the input from the two relatively recent reviews on skill shortage methodology which were for the migration lists and the NSNL to inform what the annual process should encompass.
- NSC needs to expand the number occupations they review for the skills shortage lists

6.1 Difference between skill needs and skill shortages

Importantly, there is a difference between skill shortages and skill needs, but the report, and indeed the jurisdictions, often use them interchangeably.

Skill shortages are measured by national, state or regional labour market analysis of data trends such as vacancies, industry surveys or otherwise. As the name implies, skill shortages tend to focus on either current or forecast statistically-significant shifts in demand for particularly occupational skills. Skill needs embrace skills shortages but they also can be local, niche, or even on a business basis. Skill needs which are not easily measured by a skills shortage analysis (with all its data shortcomings) are real and offer job opportunities for VET graduates. and it is important from an economy wide perspective for both to be satisfied.

The information requests on page 118 focus exclusively on skills shortages without asking the question of whether it is appropriate for subsidy levels to be based solely on skills shortage analysis. The measurement of the success of VET, and the objective for government funding, should be measured not just by analysis of “skill shortages” but also other evidence such as graduate employment outcomes.

In our initial submission, we pointed out the disparity between the approach to subsidies in higher education versus VET with skills shortage analysis not playing a role in constantly changing the subsidy levels for higher education. Most recently, the Federal Government has announced a change to the subsidy levels based in part on projected labour market demand as well as graduate outcomes. The final PC report on the NASWD would benefit from commentary on how two sectors could better align the approach to subsidies using a model that is broader than the current imperfect approach to skill shortage analysis. The new higher education approach also varies according to unit rather than qualification, which is relevant to the finding mentioned in the Interim report that the returns on training may be less about the qualification level and more about the skills imparted (p 120).

7 Course Subsidies

ACCI agrees with the position taken in the report that "there is a general lack of transparency on subsidy settings and the rationales for subsidies. There is also a lack of transparency on course costs faced by students." (p 129)

The Interim Report has done an important service to VET policy by shedding a light on how funding is set in each jurisdiction. We urge that this is retained and even expanded upon in the final report including a range of additional examples of the differences across jurisdictions. An important recommendation at the minimum for jurisdictions is to update their processes for assessing course delivery costs, which is in support of Interim recommendation 6.1 (Common methods for costing) as written or at least with the words "best practice" instead of "common"

7.1 Approach to subsidising qualifications

As outlined in our initial submission, there is not universal support for a national approach to subsidy and price setting. The first step to achieving greater consistency in approach is to increase the transparency on funding, and we have strongly urged the National Skills Commission to set its first task as improving this transparency by widely disseminating comparisons of at least the top 50 most used VET qualifications in a similar way to the Commission in the Interim Report did with qualifications for Individual Support and Business (page 21).

This transparency will yield immediate dividends and is an easier path than obtaining agreement on a single national funding model.

Although we are also inclined to agree with the conclusion that fixing student fees stifles competition and inhibits allocative efficiency (p 129), we note that the higher education sector fixes both the subsidy and the fee for those courses supported by the Commonwealth subsidy. Attempts to deregulate the fees six years ago did not end well, so it is notable that a situation widely accepted in VET is not accepted by the community for subsidised higher education.

We recommend that the PC in its final report explore options for a model of assessing subsidy rates that encompasses a broader range of variables including:

- Graduate outcomes for qualifications
- Industry intelligence at national and regional levels.
- Labour market analysis of skills shortages
- Cost of delivery, including taking into account the mode of delivery
- A default position of gradual rather than rapid substantial change in funding.

- Productivity benefits of structured training to the economy
- Qualification take up/use
- Location/regional loadings
- Equity and access fee concessions at a student level

In putting forward the above list of considerations in any subsidy approach, ACCI is cognisant of the important challenge in the Interim Report "If rigour isn't possible, then simplicity may be better." (p172). A model that jurisdictions can adopt that takes the above into account but then groups them into bands does have an appeal, but may not be sufficiently responsive. It also may make a shift into a different category substantial rather than incremental and does not avoid differentials that are based on differences in the learner, the location or mode of delivery.

7.2 Retain and improve customer choice

In agreeing with the recommendations in the Interim Report, we support customer choice (both students and employers) and disagree with the practice of some State jurisdictions to vary funding according to provider type. Public and private providers should operate in a competitive and fair market. Capital demands of the public provider should continue to be dealt with separately.

In supporting choice, we agree with the need for greater market information about provider performance and employment outcomes for qualifications. We also support full disclosure about subsidies and total costs being available to the consumer, although we note that for students, in the absence of other information that may demonstrate better outcomes, price competition alone in the VET market may lead to poorer quality training outcomes particularly in those occupations where the qualification is a prerequisite for work (eg. TAE, white card, child care etc).

7.3 Vouchers

In responding to the information requests around vouchers (p41) (how, what impact and risks), ACCI does not support vouchers in the foreseeable future:

- It is difficult to see how they will operate in a better way than the entitlement approach, with students vulnerable to starting courses unsuitable to them and "using up" their vouchers.
- There is too much chaos in the current funding system and confusion over roles and responsibilities.
- Insufficient market information available to students to spend their vouchers wisely.
- As commented in the Interim Report, they do not work well when caps on student places are applied.

Australian Chamber of Commerce and Industry

8 Apprenticeships

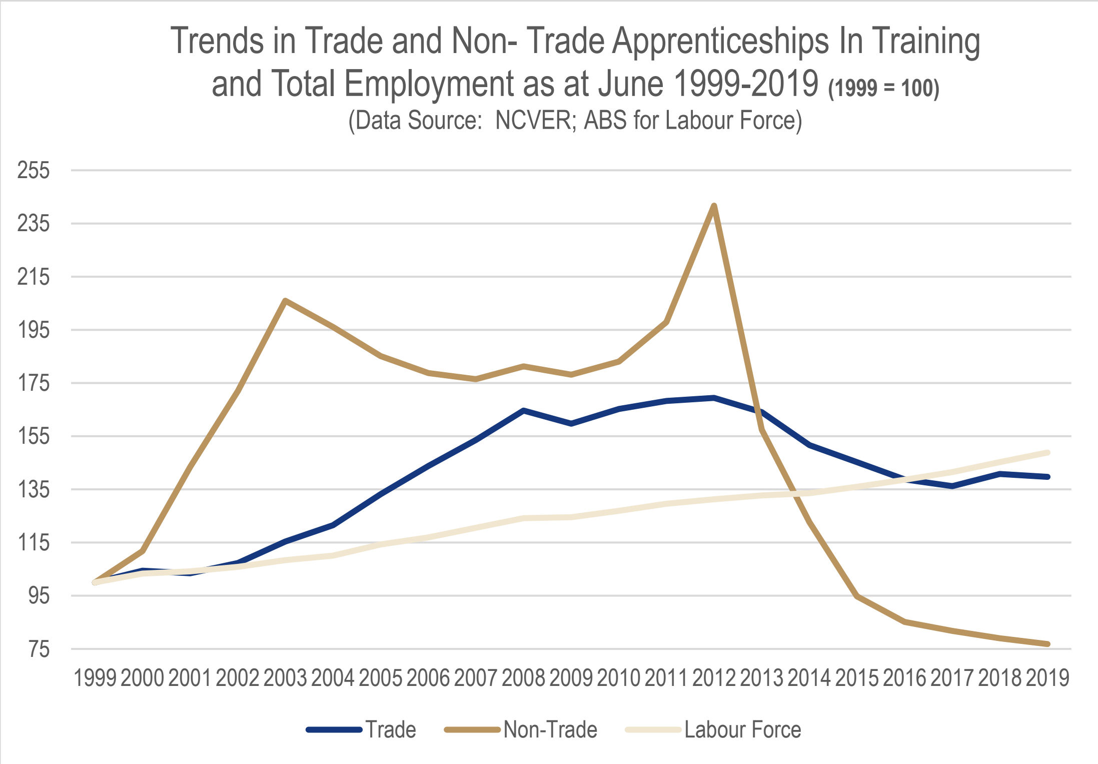
ACCI supports both trade apprenticeships and traineeships as they each deliver great value. The bias against traineeships particularly in the hospitality and retail sectors is evident in the Interim report. This ignores the benefit of a model that particularly suits young people starting their first full time job given the valuable combination of structured training with work experience, based on a model where the wage rate is set and reflects the model.

It is disappointing that the Commission assumes rorting was prevalent in traineeships prior to changes to the incentives (p 205). It is inappropriate to use the term "rorting" in the context of an employment/training contract. Employers were using existing employee incentives and apprenticeship arrangements to upskill staff which was within the guidelines, and to remove them not only impacted this scenario but it prevented employees ineligible as new employees from being offered career opportunities. As was the case with Certificate II incentives that were removed in 2011, the changes threw the baby out with the bath water.

ACCI has consistently stated that apprenticeship systems should work alongside workforce development funds that provide support for upskilling in a co-contribution model, and a well-designed fund would have been preferable from a policy perspective to using the apprenticeship system but such use was not a "rort". The PC is encouraged to look at this type of co-funded model as part of a total funding approach.

ACCI agrees with the need to address other barriers to apprenticeships including foundational skills and work readiness. It is seen that these are additional to other support measures, not a substitution. Addressing the industrial relations constraints also would be beneficial but unlikely given the Fair Work Commission's position taken in the last apprenticeship case in 2013.

The problem of declining apprenticeships, already evident before the crisis and in freefall now, is one that deserves to be fixed. The value of apprenticeships and traineeships as a model that combines work experience with structure training is proven and globally recognised. It is a poor reflection on Australia, and a detriment to the productive capacity of our economy, if we cannot reinstate strong growth in apprenticeships by improving the business case to employ them. The graph below shows the impact of inconsistent policy has had on apprenticeships and that even the growth in trade apprenticeships has not kept pace with overall labour force growth. Australia needs to do better. It must do better.



8.1 Incentives

Although ACCI agrees with the findings that AAIP incentive have had a big impact on traineeships commencements, it does not agree that the incentives in trade apprenticeships have little to no impact. Base trade apprenticeship incentives have been relatively stable so their impact is hard to measure, but when there have been changes, the numbers have been impacted. The additional trade kickstart incentive to respond to the GFC made a difference as did the reduction to the wage subsidies for adult apprentices although there has since been a recovery (see Appendix A). The evidence of AISS incentive in 2019 is still to be publicly available, but it will also be impacted in negative way by the current COVID crisis.

Incentives are part of the total business case that employers assess when they are making a decision. They can play a larger or smaller role depending on the other costs and issues, and the reason why they are so influential in traineeships is that there is often a significant gap between the cost of training and the subsidy. If traineeships particularly in the service industries were more strongly subsidised then the training funds gap would be lower and the total cost to the employer less.

A consistent ACCI message in the last few years about the support provided to apprenticeships and traineeships is that it is rarely a one size fits all approach, each industry and occupation will have different business cases. One of the original design features of the Skilling Australians Fund was that it was to encourage State and Territory Governments to enter into an industry project type response which allowed apprenticeships in industries to receive the support needed for that occupation. In the end, and as an illustration of the fractured federated approach to VET, only one state entered into an agreement that resembled that approach, being South Australia. Most just sought the matching funds for apprenticeship commitments already made, or for incentives or in the case of Queensland and Victoria, not to even sign up at all.

In the absence of this mechanism of adjusting the business case to fit each industry needs, ACCI agrees with the approach considered in the Interim Report((p205) that instead of using the NSNL to determine eligibility of employers for incentives, those benefits that are informed by the NSNL should be extended to all trade apprenticeships. This is in line with our submission to the NSNL review.

8.2 Levies

Although it is noted that some industry bodies in the construction industry support the training levies currently in place at a State level, this view is not supported across all industries and the benefits that accrue at a local level would not apply to a broader based levy.

Levies are a tax, and companies already pay taxes to both State and Federal governments. Employers using the migration program also currently pay a substantial training levy which is applied to apprenticeships through the Skilling Australians Fund. The SAF levy is a good illustration of levy revenue being used as a substitution rather than additional investment. The SAF replaced the previous partnership agreement which was funded by the Commonwealth, for its part, out of consolidated revenue. The SAF partnership agreement was only minimally funded out of consolidated revenue, and the levies were applied in the forward estimates to substitute the investment rather than to add to it.

As stated strongly in the section on total VET funding, without overall funding commitments to growth, Governments can merely shift funding around, and applying the proceeds of a levy to VET is no guarantee that the total amount invested in VET increases. If individual industries support levies and can see that these monies will add additional value, then that can be assessed on a case by case basis. To apply the levy overall to all employers will make such monitoring impossible.

Levies applied on a national basis in a federated system have an added complication of how the money is distributed (think GST revenue). There would be complaints that jurisdictions are not receiving their fair share, or industries are paying for training as well as the levy when other industries are not. Levy administration and distribution decisions would be so problematic that for this reason alone any thought of it should be abandoned.

In relation to the concept of “free riding” although it is recognised that some employers express concern about this, it is not a reason to increase a levy. “Free riding” occurs in every part of the economy – people with children receive the benefit of a free education or subsidised child care for their children, hospitals benefit from the public investment in the training of doctors or indeed by the investment that other countries or even another local hospital may have made to the education of health professionals. Labour mobility is a fact of economic life and is not a reason to introduce additional levies.

9 VET Student Loans

ACCI agrees with comments in the report that the VSL scheme is "overly restrictive" focusing on preventing fraud and ensuring fiscal sustainability (p 179) rather than providing the scheme as a way of achieving skills development and "providing affordable access to training"(p26). It is expensive for providers to participate which, along with the heavy regulatory burden, is a barrier to many smaller and niche providers.

The Interim Report recommends that an extension of the VSL scheme should be considered as an alternative or supplement to subsidies for qualifications below the currently covered Diploma level. It may be beneficial in the medium to long term to consider a wide application of this option, but this should be done cautiously and on the back of evidence of performance in the steps that could be taken along the way. These steps should include:

- Greater public transparency– the 6 monthly reports appear constructed to meet the statutory requirement rather than providing useful information to stakeholders. They should be expanded to include comparative information, as well as trend analysis on the qualifications that are being studied with VSL support, the location and the changes over time. Although the addendum table provides the detail of loans access by providers, some summary of providers by type, location and an analysis of changes over time would be useful. A more comprehensive data report will help in monitoring any changes to the scheme, and most importantly the impact on access to VSL arising from changes to State funding arrangements.
- Finalise the review of the caps to ensure they better reflect average fees,
- expand qualification coverage to include all industry training package diploma (accredited qualifications outside training packages only on a case by case basis) and advanced diplomas rather than being based on a flawed benchmark of what qualifications should be included. Complementary to this, ACCI also supports the black list approach – ruling qualifications out for integrity reasons rather than having a list of qualifications that are included.
- Allow Certificate IV qualifications to be covered on the basis of a business case put forward by an industry or IRC.
- Monitor the impact of changes made to the scheme.

It is recommended that in the final report the Commission also draws out the difficulties in using loans in a VET funded system where both the Commonwealth and the States invest. This is in contrast to the higher education system where both the subsidies and the loans are provided by the same funder. Experience with the VET FEE HELP program showed the State governments reduced their investment, some substantially, in higher VET qualification subsidies. This was effectively cost shifting, and if the loans program was expanded, this could become more prevalent. This experience illustrates the difficulty in funding a system where the roles and responsibilities overlap – something highlighted in ACCI's initial submission, but largely ignored in the Interim Report.

ACCI does not support an expansion of VSL as a substitution for current investment in VET, nor as a mechanism for an "expansion of governments funding of the VET system" (p27). Loans shift even more of the cost onto the student if, has been seen by recent experience, State governments withdraw subsidies.

10 Market Information

ACCI supports the recommendations that focus on improving career and course information. There are improvements being undertaken, such as the establishment of the National Careers Institute, which are targeted at improving the information. A better informated VET market goes hand in hand with increasing transparency and reducing complexity. It is also is inextricably linked to information about jobs as the VET courses are a means to that important end for publicly funded VET learners.

More specifically relevant to this inquiry, and as indicated in earlier comments about transparency, ACCI supports comments that there needs to be more public information about how VET is funded including the processes employed to determine subsidies, and shares the concerns (p193) about the secrecy that surrounds funding allocations...

11 About the Australian Chamber

The Australian Chamber represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

The Australian Chamber strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

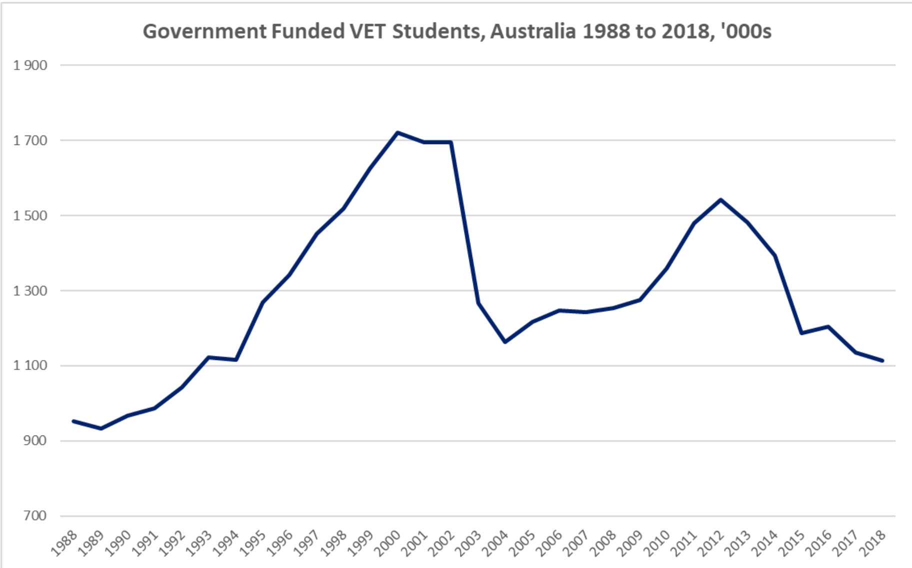
We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

12 Appendix – Funding by Jurisdiction

[Extract from ACCI initial submission to the Inquiry] Funding is not just about the "complexity and variation in the funding and pricing of courses" (which is the funding issue identified by the Joyce Review), it is the inconsistency and uncertainty in the overall funding envelope, both within each jurisdiction as well as the total investment made by all governments.

There has been a decline in overall public funding over the last decade, at a time when public investment in all other education sectors has risen significantly, and at a time when the economy's need for skilled workers has increased.

Figure 1: Government Funded VET Students, Australia 1988-2018[2].

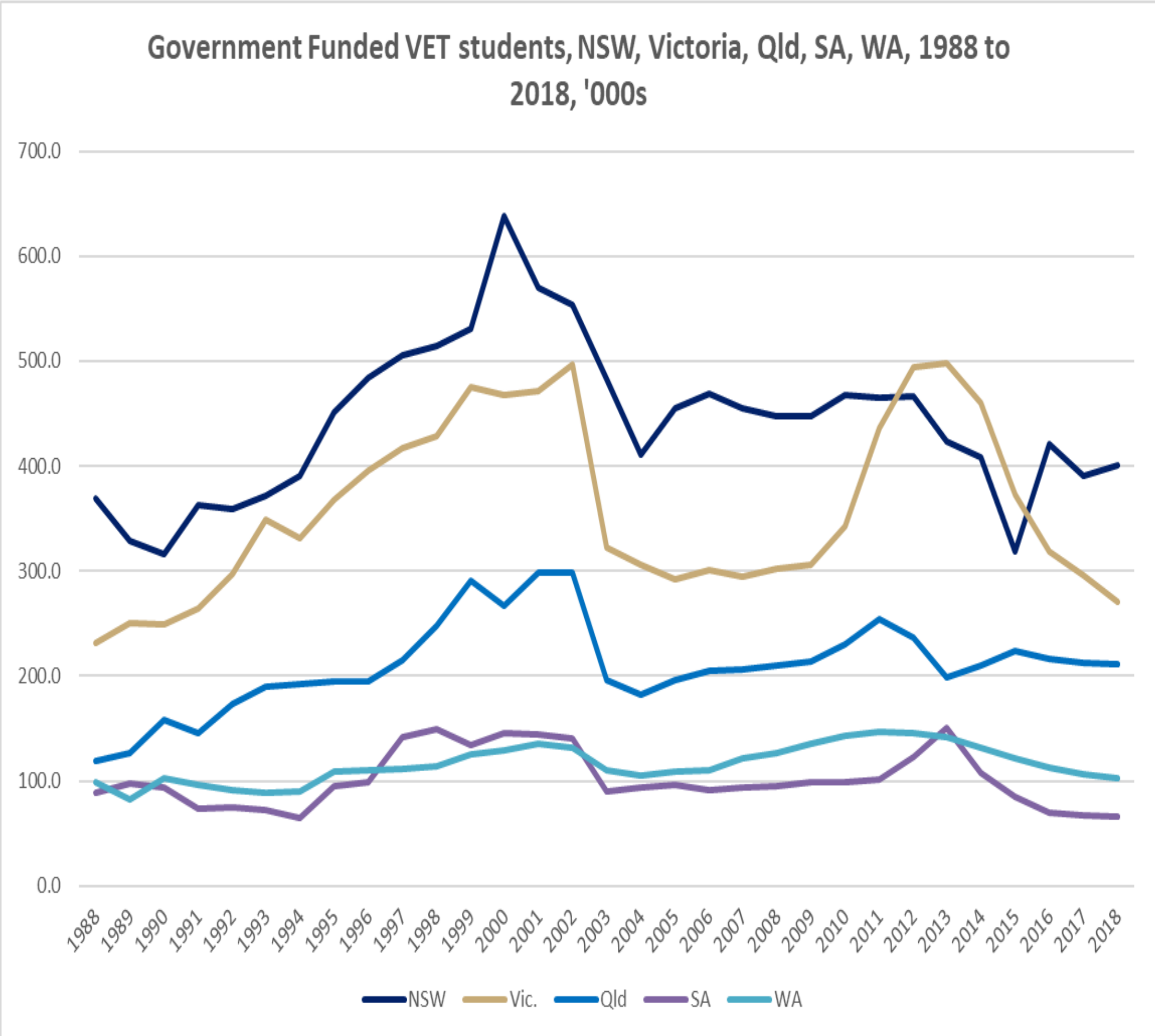


As Figure 1 shows, the number of VET students funded by governments over the last decade has fallen, and over the last 3 decades has risen, fallen, risen and then fallen again.

As mentioned, funding consistency is not just about consistency between jurisdictions, although that is highly important. It is also about consistency and reliability of funding and policy **within** each jurisdiction. Figures 2 and 3 demonstrate this very clearly, with only ACT and to some extent WA demonstrating at least some consistency, although even in those states there has been a decline (and then some recovery in the case of ACT) in the last few years.

[2] NCVER 2019, Government-funded VET students and courses 2018 - Historical time series of government-funded vocational education and training in Australia, from 1981

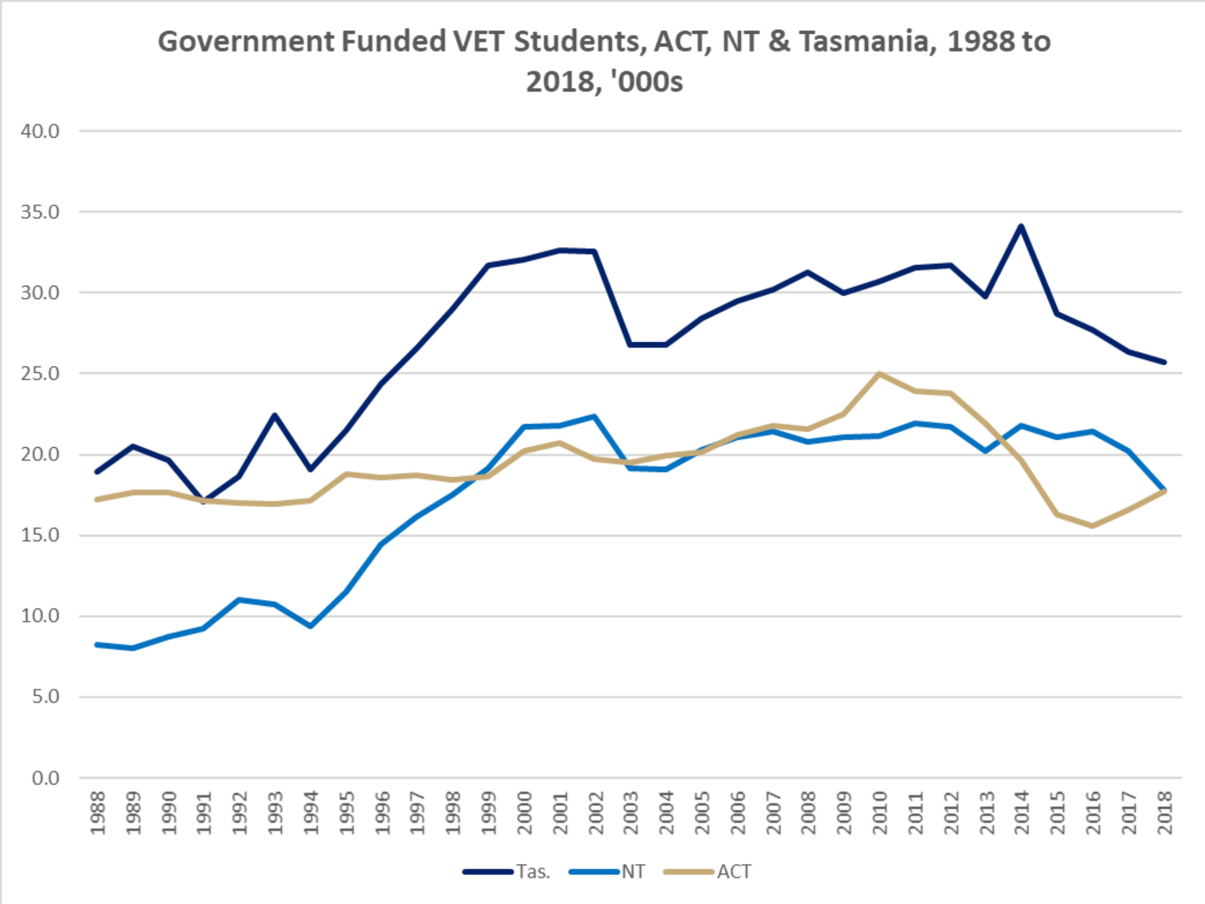
Figure 2: Government Funded VET students in NSW, Victoria, Queensland, SA and WA 1988-2018 [3]



The extent to which there are similarities across State and Territory jurisdictions reflects that Commonwealth funding, including the arrangements in national agreements, flow through the system. The trend variances reflect differences in jurisdictional decisions, most strikingly reflected in the difference between NSW and Victoria in the last ten years.

[3] Ibid

Figure 3: Government Funded VET Students – ACT, NT and Tasmania 1988 – 2018[4]

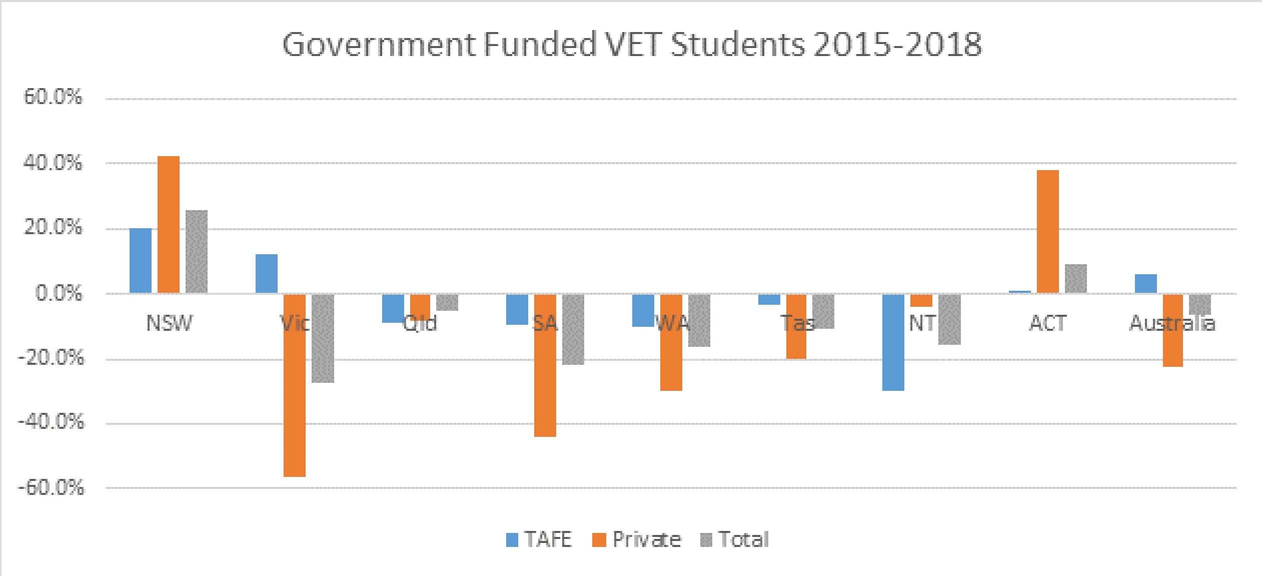


Uncertainty and inconsistency within jurisdictions is also reflected in decisions (often politically driven) to shift the funding depending on the type of provider. Figure 4 demonstrates how these shifts vary in each jurisdiction. Only ACT and NSW increased the number of students they funded from 2015 to 2018. Victoria increased its funding for public providers, but the significant decrease in funding of private providers meant that the overall investment was over 25% down overall. That said, the significant increases in VET funding in the period to 2012 were substantially driven by major increases in Victoria, again illustrating the significant rises and falls in funding.

These significant fluctuations within State and Territory VET budgets occur even though a substantial amount of their funding comes from a certain flow of funds for VET from the Commonwealth via the Specific Purpose Payment (SPP). In 2018-19 the total payment via the National Skills and Workforce Development SPP to all State and Territory governments was $1.516 billion, and this is projected to rise to $1.616 billion by 2022-23.

[4] ibid

Figure 4. Percentage growth/decline in government funded VET students from 2015 to 2018



In summary, overall funding for VET is the missing objective in the national agreement, the language surrounding the agreed COAG vision released in August 2019 and the VET reform priorities arising from the Joyce Review. This PC review provides the opportunity to highlight the deficiencies in overall investment, and the extent to which COAG arrangements contribute to this.

OUR MEMBERS

Australian Chamber of Commerce and Industry

STATE AND TERRITORY CHAMBERS

Business SA Chamber of Commerce and Industry South Australia

Canberra Business Chamber

Chamber of Commerce and Industry WA

Victorian Chamber of Commerce and Industry

BUSINESS NSW

Chamber of Commerce NORTHERN TERRITORY

CCIQ Powering business potential

TCCI Invigorating Business

INDUSTRY ASSOCIATIONS

accommodation

accord hygiene, cosmetic & specialty products industry

AMCA

Animal Medicines Australia

APRA AMCOS

afa Great advice for more Australians

ais nsw

AuSAE The Australasian Society of Association Executives

Australia Arab Chamber of Commerce & Industry

AADA

Australian Beverages

ACFA

ACA Australian Chiropractors Association

ADA Australian Dental Association

ADIA Australian Dental Industry Association

AFEI Australian Federation of Employers & Industries

afta Australian Federation of Travel Agents

AFIA Australian Finance Industry Association

Australian Gift & Homewares Association

AHA

aicm Australian Institute of Credit Management

Australian Made

AMPC

AMMA Australian Resources & Energy Group

AMTA Australian Mobile Telecommunications Association

ARIA Australian Recording Industry Association

Australian Regional Tourism

ARITA

Australian Retailers Association

ARTA

Australian Steel Institute

ATEC Australian Tourism Export Council

ATA Australian Trucking Association

ATIC

BIA

BIC Bus Industry Confederation moving people

Business Council of Co-operatives and Mutuals

Caravan Industry Association of Australia

CCA Cement Concrete & Aggregates Australia

Chemistry Australia

CMAA

Consult Australia

Consulting Surveyors National

Consumer Healthcare Products Australia

CPA Australia

CLIA Australasia

Customer Owned Banking Association

Direct Selling Australia

Exhibition & Event Association of Australasia

Fitness Australia

gta

Governance Institute of Australia

HIA

IHEA Independent Higher Education Australia

iteca Independent Tertiary Education Council Australia

ICI Institute of Civil Infrastructure

ieaa International Education Association of Australia

IFCBAA

LFRA Large Format Retail Association

Live Performance Australia

Master Builders Australia

master plumbers Expert. Committed. Professional.

MTAA Medical Technology Association of Australia

Medicines Australia

NALSPA

neca national electrical and communications association

nesa

NRA National Retail Association

NSW HCA The voice of the Hire Car Industry

Outdoor Media Association

The Pharmacy Guild of Australia

Printing & Visual Communication Association of Australia

rcsa

Restaurant & Catering

AVA

NRMA MYNRMA.COM.AU

THINK BRICK AUSTRALIA

Tourism Training Australia

VACC