Contents

Recommendations and key points
NSW Business Chamber
Introduction
Section 2.1: A new mandate for the sector
Section 2.2: Improving the VET experience – providing a better deal for learners
Section 2.3: Re-engineering apprenticeships for lifelong learning
Section 2.5 Better connections and pathways across education and training
Section 2.6: Balancing responsibilities for investment in a skilled future
Recommendations and key points

NSW Business Chamber makes the following recommendations under each of the main headings of the discussion document:

Section 2.1: A new mandate for the sector

NSW Business Chamber accepts the need for improvement of the VET system. However, future changes should not undermine the overall advances made over the past decade to build a strong national VET framework. The reform process should be informed by industry with the objective of creating a demand driven VET system that links skills attainment with industry need. Excellent foundations have been laid by successive governments and some industry sectors on skills development, through education and training, the Australian Apprenticeships system and literacy and numeracy programs in schools and the workplace.

NSW Business Chamber supports a number of central principles that should be considered as part of any deliberations on the future direction VET system in Australia; and any proposals for reform of the sector. The principles are: a demand driven system; a competitive and diverse market; universal access; student choice; simplified articulation pathways; and ensuring a balance between VET and higher education.

NSW Business Chamber believes that the purpose of future reforms to the Australian VET system should be to achieve increases in workforce productivity, achieving higher participation through greater skills development and meet wider social inclusion objectives.

NSW Business Chamber agrees with recent calls from the Australian Chamber of Commerce and Industry (ACCI) for a concerted effort by both governments and business to build a National Workforce Development Strategy that covers the breadth of Australian industry. Such a strategy should be used to shape more effective and consistent RTO engagement practices with enterprises, recognising and tailoring the training that individual enterprises require.

NSW Business Chamber recommends that a commitment to skilling of existing workers and new entrants should be supported by the establishment of more effective Recognition of Prior Learning (RPL) pathways which can decrease training costs to governments and businesses by reducing the cost and effort required by RTOs and shortening training time.

NSW Business Chamber recommends that the Australian Government collaborate with state and territory governments to reduce complexity and duplication across national and state skill development programs and provide an independent, reliable and holistic point of reference.
across state and national boundaries, to enable employers to select the most appropriate workforce skill development programs in their state or territory. The establishment of a National Workforce Development Strategy could be used to more effectively target and coordinate state and territory programs.

Section 2.2: Improving the VET experience – providing a better deal for learners

NSW Business Chamber believes there is a strong case for funding skill sets under certain conditions. If an existing employee has a qualification and there is a genuine industry need, additional skill sets should be funded.

NSW Business chamber is concerned about recent movements away from funding for lower level qualifications. Lower level qualifications such as Certificates I and II are essential in providing young people and disadvantaged individuals with a pathway into meaningful, highly valued work and are often the first step forward to higher qualifications. These lower level qualifications provide valuable foundation skills.

NSW Business Chamber agrees that the artificial separation of foundation skills from mainstream VET has added to the marginalisation of people facing barriers to learning. Breaking down the ‘silo’ approaches of the past and giving greater attention to building and supporting foundation skills in all VET delivery will enable more equitable participation and significantly improve quality outcomes. With employers consistently informing industry groups of concerns about low levels of LLN among job seekers and existing workers, a more comprehensive provision of foundation skills in all VET delivery will have positive productivity outcomes.

NSW Business Chamber believes that on-the-job training is a critical aspect of the VET system. Arrangements for provision of on-the-job training should be made more flexible and responsive to the needs of individual employers. NS Business Chamber does not support any movement towards greater institutional delivery of VET courses, especially Australian Apprenticeships.

Skills Australia should recognise the role that enterprise RTOs (ERTOs) play in the provision of workplace delivery of VET and investigate how ERTOs can be better supported to increase workplace delivery and increase the up-take of higher level qualifications.

NSW Business Chamber supports ACCI’s recommendation for the adoption of a “Skills Passport” or a which allows a student and their employer to communicate those skills gained in the workplace to their school. This will provide recognition of work experience that can then be used by future employers to determine skills that young people have obtained.
Section 2.3: Re-engineering apprenticeships for lifelong learning

NSW Business Chamber believes that reforms must take account of a number of already well-articulated and largely accepted requirements:

- Improved and increased targeting of incentives across all qualifications, but not at the expense of lower entry level qualifications
- Greater flexibility and mobility for general access to apprenticeships
- Improved consistency nationally across all jurisdictions within a common framework to maintain quality
- Improved pathways connecting school to industry competency progression
- Improved communication frameworks that directly engage employers in the VET system. Remove conflicts of interest through higher levels of compliance and responsibility.
- Continue to invest and build on direct mentoring initiatives already in place at State and Commonwealth levels.
- Simplifying the system – wider responsibility – fewer players

NSW Business Chamber recommends that Skills Australia recognise and take advantage of the success of the Australian Apprenticeship Support Services (AASS) licencing arrangements, particularly over the last two contract periods commencing in 2003. Based on the evidence of structural change in 1998, the market has grown since the introduction of competition. Since the inception of AASS in 1998, the number of apprentices nationally has increased substantially from 2% of the total employment population to 4%.

NSW Business Chamber supports ACCI’s proposal for the establishment of Apprenticeship Support Centres (ASCs) – a ‘One-Stop-Shop’ model which expands on the current contractual responsibilities of Australian Apprenticeship Centres (AACs).

AACs are not contracted to conduct apprentice and employer assessment and screening, provide job connecting services that match employers and apprentices or provide pre-apprenticeship programs – each of which are key contributors to completion rates. AACs can provide a broad suite of pastoral care services if contracted to do so.
NSW Business Chamber is concerned that future reform of the Australian Apprenticeship system may see a movement of funding away from AACs towards Group Training Organisations (GTOs), rather than recognising the benefits of both models and building on the strengths of each. Future changes to the apprenticeship system should maintain the current model and, in particular, expand the services provided by ACCs.

In response to the challenges posed by high levels of youth unemployment, NSW Business Chamber recommends that any reform of the Australian Apprenticeship system and wider VET system will need to focus on arrangements to improve:

- school-to-work transitions
- mechanisms for linking schools to employers and to the community
- arrangements for regional co-ordination of education and training for young people
- support for those most at risk in the transition
- advice and guidance on education and career options
- financing mechanisms
- monitoring of school-to-work outcomes; and
- processes to match young Australian Apprentices and employers.

Evidence suggests that successful completion of the first 12 months of an apprenticeship, correlates strongly with ultimate completion of the entire program. As such, NSW Business Chamber notes that the deferral of a greater percentage of employer incentives towards the end of the training period has had limited positive impact on completion. Additional funding and support services should be available in the first 12 months of an apprenticeship and the existing completion payments should remain in place.

NSW Business Chamber recommends that the Australian Government, in conjunction with industry, should introduce an Apprentice Mentoring program for employers who have an onsite apprentice mentor to cover the non-productive time spent with apprentices instead of being on the job. Supervising trades people should be offered training in mentoring skills set from the Certificate IV in training and Assessment (TAA) qualification and be given the skills and knowledge needed to effectively mentor apprentices throughout their tenure. Similar mentoring should be provided for trainees.

Successful completion of the first 12 months of an Australian Apprenticeship program correlates strongly with final completion. NSW Business Chamber would contend that in addition to completion incentives further support should be provided at the front end of programs to maximise the chances of Australian Apprentices completing the crucial first 12 months.
NSW Business Chamber believes that existing worker PPP needs to be refocused from being broadly driven by supply factors to a more demand driven approach. Consideration should be given to the development and implementation of a national rollout of existing worker PPP through ISCs, ITABs and industry associations along similar lines to the EB PPP.

NSW Business Chamber believes that one of the strengths of the current system is that the level of regulation and the barriers to enter the market provide an excellent quality control mechanism that is evidenced by the high service delivery standards that AACs currently provide. Any dilution of these standards would potentially have a significant adverse affect on the market and quality of service delivery. The limited number of licences for AACs allows for scale, cost effective management and control.

Skills Australia’s recommendations should incorporate the list of improvements to Australian School Based Apprenticeships (ASBAs), listed from page 47. These recommended improvements are based on the outcomes of NSW Business Chamber research in 2006.

NSW Business Chamber supports current government support (in the form of incentives and user choice funding) for existing worker traineeships. NSW Business Chamber believes this funding should be ‘across the board’ to allow for all members of the workforce to engage with the training system. NSW Business Chamber is concerned that the removal of incentives for existing worker traineeships will result in many employers disengaging from the training system and undermine the effort made to up-skill Australia’s existing workforce.

NSW Business Chamber agrees that competency based progression approaches build the stock of the nation’s skills where there is alignment with the needs of industry. Arrangements for competency based progression in a particular industry sector must be driven by and aligned to the particular needs and requirements of that industry. Broadly speaking, competency should be understood as a proxy for work value, and competency based progression should be on the basis of the acquisition of usable skill sets.

Substantial increases to Australian Apprenticeship uptake have always had a strong correlation to financial support provided to employers. Appropriately targeted incentives are a key ingredient to success. NSW Business Chamber recommends that the KickStart Apprenticeship initiative be extended beyond November 2010.

Reduction in duplication of data collection and transfer between State and Federal and among AACs, GTOs and Registered Training Organisations (RTOs) has been identified as the key issue that can improve the delivery of the apprenticeship services, reduce environmental impacts and costs of delivery.
Section 2.5: Better connections and pathways across education and training

NSW Business Chamber believes that rather than continuing to argue for relatively low-level Certificate I and II vocational programs to be counted for university entry, a more fruitful strategy in a post-Bradley climate might be to raise the level of vocational studies undertaken as part of senior schooling so that most result in a qualification at Certificate III level, and then to strengthen the link between Certificate III qualifications (whether undertaken through senior schooling, through TAFE, or through other private providers) and the vocational education and training sector’s diploma and emerging degree programs.

State and commonwealth governments should work to create an environment where those undertaking vocational study have the opportunity to progress into higher education and where the support and guidance is in place to give them the best possible opportunity to do so. The establishment of pathways from VET to higher education will create future opportunities for students who wish to obtain higher level qualifications but do not meet entry requirements when they leave school.

One of the clear messages that has emerged from the NSW Business Chamber’s recent consultations with employers and the community is that young people who do not enter university after they leave school need to be provided with a better preparation for adult life, including their life at work. Present arrangements are not meeting their needs as well as they should, yet they represent three in four of all those who enter high school.

NSW Business Chamber recognises the strengths of the VET sector and believes that the creation of robust pathways between the sectors needs to build on the VET sector and not weaken it. It is important that VET and higher education provision is aligned with present and future labour market requirements.

Current patterns of VET in Schools program depth, program breadth and program outcomes indicate that we need to be more ambitious in what we expect of young people who enter vocational programs after Year 10. We need to find ways to offer them all programs that provide them with a depth and breadth of skills to equip them for working life in a changing labour market.

Given the strong presence and reach of VET providers in regional Australia, Skills Australia should investigate the extent to which VET infrastructure can be used to deliver higher education qualifications. This will provide options for young people to study at university level in regions and support retention of young people in regional areas. The extent of collaboration between all post-secondary providers (Year 11 and 12 schools, VET providers and higher education institutions) provides the opportunity for significant cost efficiencies.
Section 2.6: Balancing responsibilities for investment in a skilled future

NSW Business Chamber believes that the best way to assist small businesses to develop workplace skills is to recognise employer training efforts and provide businesses with ongoing support to expand their skills base. NSW Business Chamber does not support the introduction of industry or employer financing arrangements, such as training levies on industry.

NSW Business Chamber is concerned about the lack of continuity of funding for successful pilot projects that have demonstrated effective outcomes. Many local VET and employability projects have experienced a discontinuation of funding after an initial period of two or three years. For example, the discontinuation of the Regional Industry Careers Adviser (RICA) program has left a significant service gap for young people and employers in targeted regions.

NSW Business Chamber is concerned about suggestions from Skills Australia for conditions to be placed on any allocation of public training funds to enterprises. Skills Australia needs to be mindful that introducing a Government requirement for enterprise workforce development plans as a condition of public training funds may risk further disengagement from enterprises, particularly SMEs. SMEs should be supported to develop high performing workplaces however any regulatory requirements to do so will have limited effectiveness.

Section 2.7: Governance for the future – establishing foundations for growth

NSW Business Chamber supports policy that will ensure greater consistency of the VET system across Australia. This is consistent with recent harmonisation policies, such as the introduction of a National Regulator for VET. Consequently, NSW Business Chamber does not support any future model that involves solely state based service delivery. Importantly, national employers do not need the complexity of navigating any state specific solutions that restrict work movement and flexibility.

National consistency will ensure consistent service delivery standards, benchmarks of expectation and consistent customer satisfaction/experience. NSW Business Chamber does not support a movement to state based delivery of apprenticeship services. Reform of the regulatory environment is also necessary.

Given the importance of Apprenticeship services to Australia, NSW Business Chamber is concerned about the impact of devolving service delivery to the states on Australian Apprenticeship uptake, particularly if this were to result in a narrowing in the diversity of service providers, reduced competition in some jurisdictions and reduced service standards.
While NSW Business Chamber does not oppose a student entitlement model in principle, it is critically important that students are provided with robust industry careers advice to ensure they are able to make informed decisions about training which will maximise their chances of securing meaningful employment.

NSW Business Chamber supports a system of accreditation introduced for school career advisers to improve the quality of advice given to students. These career advisers should have well developed links with industry and a comprehensive understanding of employer needs.

NSW Business Chamber supports ACCI’s recommendation that a ‘Building Our Future Challenge’ should be established so that employers who show a strong commitment to building the future workforce should be publically recognised. Under this scheme, employers showing a commitment to training by having a 6% or greater portion of their workforce as apprentices or trainees become recognised as an employer of choice for apprentices and eligible for membership of the group.
NSW Business Chamber

NSW Business Chamber is one of Australia’s largest business support groups, helping around 30,000 businesses each year. Founded in 1885, the NSW Business Chamber works with thousands of businesses, from sole traders to large corporates. The Chamber is a leading business solution provider and lobbying group with strengths in workplace management, occupational health and safety, industrial relations, human resources, international trade, and improving business performance.

Independent and non-government, NSW Business Chamber represents the needs of business at a local, State and Federal level, lobbying governments and authorities to create a better environment in which to do business.

NSW Business Chamber is consistently engaged in policy interaction with Government regarding skills issues, providing high level input and recommendations to support employers’ engagement in a range of workforce skill development programs.

NSW Business Chamber also owns and operates Australian Business Limited Apprenticeships Centre (ABLAC). ABLAC is NSW’s most experienced provider of Australian Apprenticeship services. ABLAC has specialist knowledge, expertise and over ten years’ experience in the signup processes and ongoing management of apprenticeships and traineeships. ABLAC works under a contract funded by the Commonwealth Department of Education, Employment and Workplace Relations (DEEWR).

NSW Business Chamber’s views in relation to the VET sector reflect both our policy position to represent our members’ concerns and role in addressing the barriers affecting employers’ increased uptake of Australian Apprenticeships, within the policy sphere across the education and training spectrum. Our views also reflect ABLAC’s broad experience as a service provider to the State and Commonwealth.
Introduction

Australian industry needs a skilled, flexible and motivated workforce that contributes to productivity gains and drives economic development. Ensuring that the available workforce has the skills and knowledge required to meet the needs of industry and employers is a significant issue for Australia.

NSW Business Chamber agrees that addressing high levels of youth unemployment through more effective school to work transitional arrangements, increasing employment participation and driving productivity growth need to be the central focus of the Australian Government and the Australian business community.

If the training standard is not maintained or increased, there is a danger that Australia could find itself with further skills shortage capacity constraints. This could prolong the economic recovery rather than providing a way for the Australian business community to expand activities to return to economic prosperity.

There is a great risk to the future growth of Australia’s productivity if new Australian Apprentices are not recruited and existing Australian Apprentices are not retained, or do not complete their training.

Principles of a strong VET system

The NSW Business Chamber supports a number of central principles that should be considered as part of any deliberations for the future direction of the VET system in Australia; and any proposals for reform of the sector. The principles include:

- **a demand driven system** – this more closely aligns education and training to the needs of students, business and governments and creates incentives for maximising quantity and quality, reducing costs and using resources more effectively. It is critically important that provision of VET is strongly linked to industry skill requirements and employment outcomes;

- **a competitive and diverse market** – competition and diversity leads to a more efficient and cost effective system, while increasing the range of options available. Based on evidence of structural change in 1998, the Australian Apprenticeship market has grown since the introduction of competition. There should also be greater flexibility around course offerings to meet the needs of industry. Furthermore, competition is an effective means of improving the quality of delivery, as substandard RTOs will be forced out of the market;
universal access – the system must promote the concept of a universal entitlement to post secondary education for all students (including school leavers and mature age students) together with programs that have equity considerations (targeting disadvantaged groups);

student choice – students should be able to purchase a course from any public or private provider. Student choice should be coupled with robust and industry relevant career advice services to young people and existing workers to ensure that students are made aware of industry needs and courses that will lead to meaningful employment. Course funding in certain sectors should continue to encourage equity considerations and target priority areas;

simplified articulation pathways – this requires closer cooperation between the sectors on credit transfers and recognition of prior learning and articulation streams. Existing perceptions that VET is only suitable for students with poor high school academic records\(^1\) can be partially tackled by creating stronger pathways from VET to higher tertiary education;

ensuring a balance between VET and higher education – there is often a bias (from parents, teachers and principals) towards young people attending university and obtaining a degree level qualification. This is reflected in how the school curriculum is structured. However, many jobs require vocational qualifications and industry relies heavily on Australia’s strong VET system. State and federal governments should recognise the diverse skill needs of the Australian economy and ensure provision of VET and higher education is consistent with current and future labour market requirements. Employment outcomes should always be an important consideration of funding for tertiary education. For example, Hart\(^2\) points out that recent Council of Australian Governments (COAG) targets may not be aligned to the realities of labour market demand:

“The Council of Australian Governments (COAG) 2020 targets to ‘double the number of higher qualification completions (Diploma and Advanced Diploma) between 2009 and 2020’ is admirable, but will only achieve the desired productivity outcome if double the number of jobs are available that need skills at that level’.”

---

\(^1\) Kilpatrick and Guenther (2000) found that disinterest in VET increased with perceived academic ability. Ninety per cent of parents who believed their son or daughter were well above average in terms of academic achievement, indicated that the student was not interested in VET. Klpatrick, S. & Guenther, J. (2000). Parent perceptions of VET in schools programs, a report for Launceston Workplace Learning. Centre for Research and Learning in regional Australia, University of Tasmania.

The productivity imperative

The nation’s economic growth rate is a function of three variables: the growth rate of the working age population, the productivity of resident businesses, and the participation of residents in the labour market. Moreover, these variables are interrelated: growing participation is dependent on a growing population, and productivity growth requires a labour force with the skills to use new technology, to adapt to new businesses models, and to help create new goods and services.

In the short term, Australian businesses must raise their productivity levels to survive tougher economic conditions following the Global Financial Crisis. In the medium to long term, Australian businesses must adapt to demographic changes related to the ageing of the workforce.

The Federal Treasury’s 2010 Intergenerational Report (IGR) stated that, while the rate of ageing has reduced somewhat compared with previous IGRs, the proportion of traditional working age people is still projected to fall markedly, reducing the average rate of labour force participation. With the Australian economy facing the dual pressures of an ageing population and rising skill shortages, there are clear benefits in improving skills development.

The solution is to encourage faster productivity growth and higher participation through greater skills development – and the sooner the better. Federal Treasury has been urging this change since its Intergenerational Report of 2002 and again in its Intergenerational Report of 2007.

The current state of global economic recovery has Australia placed in the top five of OECD countries in terms of labour productivity growth partly attributable to skills reforms of the mid and late 1990s (see Figure 1 below).
Figure 1: OECD – Comparison of GDP per Capita vs Growth in GDP and Labour Productivity
(Source: OECD statistics 2009 data for GDP Growth & Labour productivity, 2008 for GDP per capita)

With the ageing of the population reducing participation, productivity growth will be the major contributor to real GDP per person growth in Australia over the next 40 years (see Figure 2 [Chart 4] below). Treasury points out that participation and, most particularly, productivity enhancing policies are key to ameliorating the economic impacts of ageing.³

³ Treasury (2010). Treasury’s Incoming Government Brief (Red Book)
The purpose of future reforms to the Australian VET system should be to achieve increases in workforce productivity, achieving higher participation through greater skills development and meet wider social inclusion objectives.
Section 2.1: A new mandate for the sector

If workforce development is to become a core function of the VET system, then how can RTO engagement with enterprises, to advance better use of their workers’ skills, become standard practice across the sector?

NSW Business Chamber agrees with recent calls from ACCI\(^4\) for a concerted effort by both governments and business to build a National Workforce Development Strategy that covers the breadth of Australian industry, not just a select few industries with perceived high economic value. Such a strategy could be used to shape more effective and consistent RTO engagement practices with enterprises, recognising the training that individual enterprises require.

The fundamental aim of the National Workforce Development Strategy must be to:

- effectively meet the future skills and labour needs of Australian industry
- mobilise those currently marginal to the workforce and equip those outside the workforce effectively for the world of work;
- upskill existing workers in line with the skills requirements of their employers;
- enhance workforce mobility in the labour market;
- overcome the skill development and recognition problems for target groups outside the workforce;
- provide maximum value for public expenditure;
- increase industry engagement with the National Training System;
- meet the needs of all sizes of business including small and medium, not just large enterprises; and
- ensure that recognition of existing skills, training and assessment is driven by the identified needs of enterprises, industry and its workforce.

The supply driven approach to training availability by the commonwealth and states often limits access to training that businesses need. The underutilisation of skills within the workforce is often a result of supply driven funding models and lack of flexibility from training providers. Funding for VET should be closely linked with the skills needs of employers. Recently, School, Business, Community Partnership Brokers (SBCPBs) have indicated to NSW Business Chamber that there is a disconnect between training provided in their geographical areas and the immediate labour requirements of local industries.

RTO engagement with SMEs needs to be significantly improved. For example, the NSW Department of Education and Training expressed concerns earlier this year that RTOs had failed to actively engage with employers to fill Productivity Places Program (PPP) training places.

What is the balance of responsibilities between industry sector organisations, trainers/teachers, managers in developing the use of skills in the workplace?
How can VET best support enterprises?

Ensuring that the workforce has the skills and knowledge required to meet the needs of enterprises is a significant issue for industry in Australia.

Business and industry associations are well placed to work with SMEs to identify skills needs and advise on training opportunities to address those needs, and can play a brokerage role. Business and industry associations are able to effectively link SMEs and relevant RTOs to deliver training requirements of individual employers. An example of a similar initiative is the successful Education and Training Adviser project funded by DEEWR. The provision of such services to enterprises via business and industry associations could be adopted as an alternative to the Enterprise Connect service, as these associations have already well established networks with enterprises.

Business and industry associations must be the key driver behind identifying training needs and determining where the training effort should be directed so as to drive productivity and economic development and provide employment opportunities for Australian workers. Business and industry associations can provide a key brokerage role for businesses, managers, RTOs, trainers/teachers, and staff.

Employers working in partnership with training providers can tailor and contextualise training to suit their immediate needs. This means that formal training can be delivered as ‘just in time’ training that will add to the productivity and profitability of the business.

One approach to minimising training costs and maximising return on investment in training is increased commitment to upskilling existing workers to trade level or higher level qualifications where there is demand for these skills by enterprises. In many cases, existing workers have a sound level of knowledge of the work environment and the required job specific skills base. Existing workers also have had exposure to the industry and, unlike many new entrants into the industry, will have formed an understanding of the nature of the work and preconceived expectations of their employment within the industry, and thus have increased likelihood of completing their training.
NSW Business Chamber also believes that there needs to be more clearly defined workforce development strategies encompassing training and career pathways for new entrants into the workforce.

A commitment to skilling of existing workers and new entrants should be supported by the establishment of more effective Recognition of Prior Learning (RPL) pathways which can decrease training costs to governments and businesses by reducing the cost and effort required by RTOs and shortening training time.

**Range of stakeholders marketing to employers**

The NSW Business Chamber is aware of a wide range of organisations approaching NSW employers, each one promoting workforce skilling programs within its own jurisdiction or sphere of commercial interest.

For example:

- AACS promoting Australian Apprenticeships
- RTOs promoting their own services, either through Australian Apprenticeships, Productivity Places or as fee for service
- NSW regional State Training Services, NSW Industry Training Advisory Boards, and National Industry Skills Councils all offering information and referrals to national and state programs respectively
- Industry organisations promoting training of existing workers

In NSW, regional State Training Services is expected to approach and work with employers to develop workforce development strategies linked to training available at a state level; Australian Apprenticeships or skill sets via the NSW Government’s Strategic Skills Program.

Meanwhile, a large employer may also be approached by one or more Industry Skills Councils (ISCs), keen to promote funded qualifications available under the national Enterprise Based Productivity Places Program (EBPPP).

Both the NSW Government and Australian Government have also been setting up advisory websites and call centres to facilitate employers’ connection to skill development options at the state and national level respectively. For example, the national Australian Apprenticeships Training Information Service.

The complexity of information provision may result in an employer selecting the first skilling option they are offered, even if it is an imperfect fit and results in poor completions or no
observable impact on workplace productivity. It is imperative that this already confusing landscape is not made even more complex for employers, who are already at risk of disengagement.

The NSW Business Chamber calls on the Australian Government to work collaboratively with the state and territory governments to identify the overall workforce skilling outcomes required and target state and national programs accordingly. Where necessary, programs should be rationalised to streamline the achievement of workforce skilling outcomes without duplication. The establishment of a National Workforce Development Strategy could be used to more effectively target state and territory programs. Where programs are retained, state, territory and the Australian governments need to develop a simple and consistent model across jurisdictions.

NSW Business Chamber recommends that the Australian Government collaborate with state and territory governments to reduce complexity and duplication across national and state skill development programs and provide an independent, reliable and holistic point of reference across state and national boundaries, to enable employers to select the most appropriate workforce skill development programs in their state or territory. The establishment of a National Workforce Development Strategy could be used to more effectively target state and territory programs.

Employer engagement case study

**Case Study: Effective community engagement, local training and skills arrangements that effectively address the needs of the resources sector in the Hunter Valley**

The Hunter Valley Training Company (HVTC) has developed a successful business model that effectively links employers in the resources sector to jobseekers and suitable trainees. HVTC works to actively identify the skills needs of resources companies and provides jobseekers and students with training to directly meet the needs of the industry. In this way the HVTC can directly respond to the skills needs of mining companies in the area and offer suitable candidates to fill these positions.

In addition to developing the skills of individuals through sustainable employment, the HVTC anticipates and maintains the supply of a high quality labour force to ensure a constant flow of skilled workers for local resources industries.

This business model has been replicated by other group training companies around Australia. NSW Business Chamber believes this effective approach to meeting the needs of resource sector employers has reduced the impacts of skill shortages in the Hunter Valley region. It has also created opportunities for local people to fill vacancies in the sector, resulting in wider community benefits.

One of the key success factors of the HVTC’s operations is extensive engagement at all levels of the community, from employers and job seekers to high school students considering their future career options.
HVTC focuses on creating linkages across the community by:

- acknowledging all members of the community and actively seeks to provide vocational education and training to groups with special needs.
- Actively participates in community organisation including Business and Education Councils.
- Forming links with industry, the union movement and organisations to provide training specifically tailored to their industry and current and future employers.

In 2003 the HVTC began a program to address the issues of high student drop out in Year 10. The Youth at Risk program was developed, which encouraged students to remain at school whilst participating in trade training one day per week at Hunter-V-Tec. The program had dual purpose of addressing the skills shortages in the Hunter region while encouraging students considering dropping out of year 10 to continue their studies through to the HSC. The value of the program was recognised in 2005 when it received the prestigious Group Training Australian Partnership Award.

NSW Business Chamber recommends that Skills Australia consider these types of proven business models that demonstrate well developed community engagement, local training and skills arrangements that effectively address the needs of the resources sector.
Section 2.2: Improving the VET experience – providing a better deal for learners

What changes in VET products, practices, institutions, or funding need to take place to lift the level of foundation skills?

It is clear that the VET system carries the burden of having to compensate for the limitations of the school curriculum to provide adequate foundation skills, particularly to those students who are vulnerable of dropping out of school early and disengaging from academic activities. While it is important that VET provides sufficient foundation level skills, it is an area that requires significant review and reform at both primary and secondary schooling levels.

In the lead up to the federal election, ACCI conducted a survey of members to ascertain the top issues facing businesses. Skills development ranked highly amongst small businesses with 70% being concerned about employees having “good” levels of numeracy and literacy.\(^5\)

This was supported by a recent Productivity Commission Working Paper\(^6\) that showed nearly half of the population were assessed to have literacy and numeracy skills at either levels 1 (the lowest level) or level 2, both of which are below the minimum level deemed necessary to participate in a knowledge based economy (level 3). It was estimated that an improvement in literacy and numeracy skills from level 1 to level 3 would increase the likelihood of labour force participation by about 15 percentage points for women and about 5 percentage points for men.

**Foundation skills and funding for lower level qualifications**

NSW Business Chamber believes that increasing the foundation skill level of the Australian workforce, across all occupations, is crucial to achieving long term productivity growth. Australia has experienced the trend of jobs becoming more complex and there has been a consequent increase in demand for higher skill levels. This trend is projected to continue regardless of whether Australia experiences strong or weak economic growth in the future.\(^7\)

Furthermore, there is a strong correlation between qualification levels, employment outcomes and wage levels. Figure 3 shows the correlation of education with employment and wage outcomes. Individuals with lower level qualification tend to experience higher levels of unemployment and lower wages. However, there remain many jobs available at Australian Qualification Framework (AQF) levels I and II that would suit many of the unemployed youth and vulnerable job seekers.

---

\(^5\) Australian Chamber of Commerce and Industry (2010) *2010 ACCI pre-election survey*, July 2010


\(^7\) Skills Australia (2010) *Australian Workforce Futures*
Figure 3: The correlation of education with employment and wage outcomes

Over the last 15 years incentives and policy changes have increasingly focused funding towards higher level qualifications. In 1996, 80% of traineeship completions were at certificate I and II, whereas in 2005, 75% were at certificate III or higher. By 2008, 80% of commencements were at certificate III or higher.

Commencements at certificate I and II for traineeships dropped off significantly after the incentive structure was changed in 1998 to reward certificate III or higher completion, with a $2500 completion incentive, in addition to a $1500 commencement incentive. By comparison, a certificate II attracts a $1250 commencement incentive, with no associated completion incentive.

Recent arguments at both state and federal level have centred on further redirection of incentives away from certificate II towards higher level qualifications and areas of skills shortage.

---

9 NCVER (2010). The effectiveness of the traineeship model
10 Ibid
While NSW Business Chamber recognises there is a need for a higher level of skills to respond to Australia’s future workforce requirements, the drive for higher level qualifications needs to be tempered by ensuring that the importance and integrity of entry level qualifications is maintained and that there is a place for making the connection between skills experience gained in the workplace and workforce planning and development. It is also important that lower level qualifications are recognised as a gateway for young people and disadvantaged individuals to enter the training system, providing opportunities to work towards higher level qualifications.

Lower level qualifications such as Certificates I and II are essential in providing young people with a pathway into meaningful, highly valued work and are often the first step on the ladder to higher qualification levels. Lower level qualifications provide valuable foundation skills for young people and disadvantaged learners.

Useful state-accredited Certificate I and II level courses that provide valuable foundation skills include:

- Certificate I in Initial Adult Literacy and Numeracy
- Certificate I in Vocational Preparation
- Certificate I in Vocational Access
- Certificates I-II in Introductory Vocational Education
- Certificates I-III in General Education for Adults (CGEA)
- Certificates I-IV in Spoken and Written English (CSWE)
- Certificates I-IV in ESL

**Lifting foundation skill levels**

Roberts and Wignall\(^\text{11}\) have pointed out that between the OECD international literacy surveys conducted in 1996 and 2006, New Zealand was successful in improving the literacy skills of its adult population, particularly by reducing the proportion of people with skills at level 1. To achieve this outcome, New Zealand implemented a two-pronged approach to workplace literacy initiatives and community-based approaches to skill development, based on notions of the economic growth that could be expected by Government in this area.\(^\text{12}\) New Zealand has also developed and implemented an extensive professional development program to build the skills of general and vocational training practitioners in identifying and supporting LLN skills development.\(^\text{13}\)

Roberts and Wignall identify the following key issues in improving the delivery and outcomes associated with the provision of foundation skills:

---
\(^\text{11}\) Roberts, A & Wignall, L (2010) Briefing on foundation skills for the National VET Equity Advisory Council
\(^\text{13}\) http://www.workbase.org.nz
There is a greater awareness throughout the general population, and especially throughout the Further Education sector, that foundation skills are an important part of all learning opportunities and that people need to continue building these skills throughout their lives.

Foundation skills are considered as a continuum across many levels and the Australian population is encouraged to aspire to increasingly high levels of skill.

The capability of all education providers is increased to enable the appropriate provision of, and support for, foundation skills in all learning opportunities.

Expert LLN practitioners have the ability to contextualise foundation skills for different environments and respond flexibly to the challenges of supporting integrated delivery.\(^{14}\)

NSW Business Chamber agrees with the conclusions of Roberts and Wignall - that the artificial separation of foundation skills from mainstream VET has added to the marginalisation of people facing barriers to learning. Breaking down the ‘silo’ approaches of the past and giving greater attention to building and supporting foundation skills in all VET delivery will enable more equitable participation and significantly improve quality outcomes. With employers consistently informing industry groups of concerns about low levels of LLN among job seekers and existing workers, a more comprehensive provision of foundation skills in all VET delivery will have positive productivity outcomes.

NSW Business Chamber believes that the Workplace English Language and Literacy (WELL) program and the Language, Literacy and Numeracy Program (LLNP) are effective foundation skills programs and welcomes the Australian Government’s additional funding allocations through the 2010 federal budget.

**What aspects of VET delivery need to change?** More work-based delivery; broader use of ICT; increased personalised learning, especially for disadvantaged students; integration of workplace experience; employment services? Other changes?

One of the key components of an industry-led, demand-driven VET system is the flexibility and responsiveness of the system as a whole. Flexibility in training delivery is essential for lowering the overall costs of training to both industry and the individual. Training that occurs on-the-job, or outside work hours, significantly reduces the burden of lost wages for individuals and lost productivity for business. It is also essential to ensure that training is relevant to the needs of industry. As technology and work practices change, the content of training packages and the delivery methodology and resources of the RTOs must change with them.

The underutilization of skills within the workforce is often a result of supply driven funding models and lack of flexibility from RTOs. The supply driven approach to training availability by the commonwealth and the states often limits access to the training that an employer needs. Off-the-job offerings from training providers have little flexibility in terms of construct of the course and matching with the skills needs of the employer.

NSW Business Chamber believes that on-the-job training is a critical aspect of the VET system. Arrangements for provision of on-the-job training should be made more flexible and responsive to the needs of individual employers. NSW Business Chamber does not support any movement towards greater institutional delivery of VET courses, especially Australian Apprenticeships and Traineeships.

Should there be greater incentives for increasing workplace delivery of VET?

NSW Business Chamber believes that much can be done to increase workplace delivery of VET and supports greater incentives to achieve this outcome. The introduction of EBPPP, for example, has been a great step towards increasing the delivery of VET in the workplace.

Furthermore, Enterprise based RTOs (ERTOs) deliver a large proportion of VET qualifications in the Australian workplace, whilst receiving little or no funding for their contribution. ERTOs represent 5.2% of Australian RTOs, but potentially generate at least 20% of annual VET qualification completions across Australia. Approximately 62% of ERTOs access some form of external funding (mainly traineeship incentives and PPP funding). However, for the majority of the enterprises the external funding meets less than 25% of their RTO costs. The creation of a funding model for ERTOs delivering transferable skills for non-funded VET qualifications / skills sets would greatly impact on the ability of ERTOs to deliver training in the workplace. This would in turn assist with meeting the goals set by COAG, and data could be gathered from these ERTOs (training effort and subsequent qualification or competency completion is not captured in national VET data collections unless it has been publically funded).

The number of full qualifications awarded by ERTOs in 2008 was estimated at 90,000. Of these 42% were at Certificate II and 29% at Certificate III level. The emphasis on lower level qualifications presents opportunities to raise the skills of workers and increase the up-take of higher level qualifications. Skills Australia should recognise the role that ERTOs play in the provision of workplace delivery of VET and investigate how ERTOs can be better supported to increase workplace delivery and increase the up-take of higher level qualifications.

In addition, findings of the Enterprise RTO Association (ERTOA) show that ERTOs believe that an internal RTO can better develop and deliver customised training relevant to the specific

16 Ibid
business needs of their enterprise. ERTOs also believe an internal RTO provides greater flexibility and control in the delivery of training and assessment to their employees.\(^\text{17}\)

What is the role of skill sets – should they be widely available, or only for those who already have a level III qualification?

In many cases, employees do not require a full qualification to upgrade their skills to meet the needs of their employer or broader industry; in many cases a skills set would be a far more appropriate training outcome.

NSW Business Chamber believes there is a strong case for funding skill sets under certain conditions. If an existing employee has a qualification and there is a genuine industry need, additional skill sets should be funded. For example, upskilling workplace supervisors has been identified as a means by which employers can contribute towards positive apprenticeship completions. The new skill set for the Workplace Supervisor developed by Innovation and Business Skills Australia (IBSA) provides a group of skills that could be considered for funding, especially if it was accompanied by targeting specific industries where attrition rates are high. IBSA also released a skill set on Sustainable Practice. This skill set would support many other government initiatives to build Australia’s stock of green skills. These skill sets can also be credited towards Certificate IV and Diploma level courses, establishing a pathway to higher qualifications.

In addition, skill sets can provide RTOs with an opportunity to develop relationships with potential clients based on a direct industry need. Identification and communication of appropriate skill sets can be a unique method for RTOs to promote the value of nationally recognised training to a range of industries.

\[^17\] Ibid
Section 2.3: Re-engineering apprenticeships for lifelong learning

What reforms to the apprenticeship system are needed to make it more attractive to both individuals and employers?

Reforms must take account of a number of already well-articulated and largely accepted requirements:

- Improved and increased targeting of incentives across all qualifications, but not at the expense of lower entry level qualifications
- Greater flexibility and mobility for general access to apprenticeships
- Improved consistency nationally across all jurisdictions within a common framework to maintain quality
- Improved pathways connecting school to industry competency progression
- Improved communication frameworks that directly engage employers in the VET system. Remove conflicts of interest through higher levels of compliance and responsibility.
- Continue to invest and build on direct mentoring initiatives already in place at state and commonwealth levels.
- Simplifying the system – wider responsibility – fewer players

AACI has argued that the reform agenda must recognise and take advantage of the success of AASS, particularly over the last two Contract periods commencing in 2003 (the success of the existing model is discussed further from page 29). The significant infrastructures built by contactors and the level of expertise that exists within the current AAC network can not be over emphasised. NSW Business Chamber agrees that any intent to simply start again would be ill advised and hugely expensive. In addition to the enormous organisational and administrative disruption, there would also be significant negative impact in the market place in existing relationships between employers, apprentices, stakeholders and government.

Since the inception of AACs in Australia 1998, the number of apprenticeships nationally has increased substantially from 2% of the total employment population to 4%.\(^\text{18}\) Such results have been driven by competition in the market arising from employers’ ability to choose from multiple service providers in the same market, performance based contracts and broad industry engagement. Innovative service models and technological solutions have streamlined

\(^{18}\) NCVER and ABS data
the service provided to large employers to engage Australian Apprentices, supporting the expansion of Australian Apprentices employed by their substantial regional networks. Competition in the field of Australian Apprenticeship services has been proven to deliver increased commencement and more importantly completion numbers and increased uptake by small employers.

There is no doubt that reform is required, and the Government has a unique opportunity to marginalise the impact of change by simply shifting the role and emphasis of existing arrangements to better reflect the overall reform agenda.

The Australian Government already has a network of over 300 offices across Australia delivering clearly defined services articulated within AASS Contracts. These offices manage the obligations and entitlements of over 450,000 apprentices and approximately 150,000 employers at any one time.

Client satisfaction surveys carried out under consultancy contracts to DEEWR consistently report high levels of satisfaction from both employers and apprentices across the nation, generally well above the required 85% benchmark levels. This information can’t be ignored and serves as a powerful reminder to those who wish to use AAC’s as a ‘scape goat’ for the inadequacies of existing regulatory arrangements surrounding the activities of some RTOs.

NSW Business Chamber supports the ACCI proposal for the establishment of Apprenticeship Support Centres (ASCs) – a ‘One-Stop-Shop’ model which expands on the current contractual responsibilities of AACs.

ACCI has described the ASC model as follows:

“By definition the notion of a ‘One Stop Shop’ has to be different from that currently defined as an AAC. The overall role needs to be broadened to encompass the full needs of employers, apprentices, schools, parents, equity groups, RTOs, GTOs, Employment Service Providers, state jurisdictional bodies (STAs) and other associated stakeholders.”

Simply put, AACs have the capacity to be quickly transformed into the central ‘hub’ around which current complexities can be dealt with in a manner reflective of the responsibilities and authorities vested in it. This would require significant transformation of some existing service delivery models and improved governance arrangements, however core capability exists nationally and this must not be ignored.

The Commonwealth now has the opportunity to create a national network of dedicated ‘one stop shops’ on the back of an already fully established infrastructure to deliver the central core platform of its VET reform agenda, purely from a service delivery perspective.
From a regulatory viewpoint, the integration of state jurisdictional functions surrounding compliance, pastoral care, mentoring etc. into the ‘One Stop Shop’ would be beneficial and constructive in consolidating the seamless approach required in relation to reform the existing complexities so often raised in discussion.

**Success of the existing model**

Australian research has shown that more than 90% of former apprentices achieve long-term full-time employment and earn more than other people in training and those who do no post school study.¹⁹

Australian employers and small business in particular play an essential role in employing and training the majority of Australian Apprentices. Substantial public support is required to offset the significant costs of engaging a trade apprentice in order to invest in Australia’s future economic and skills base. These payments will be recouped many times over in both improved productivity and taxes paid by gainfully employed tradespeople in the long term.

Since 1998, AACs have demonstrated positive results for DEEWR, employers, apprentices and trainees. It is remarkable that nationally, the numbers of apprenticeship and traineeships have doubled since the mid-1990s and the levels of client satisfaction with the system are very high. This proves that the existing model delivers the results and the outcome required from the AASS.

---

Figure 4 clearly shows the improvements in In-training levels since competition was introduced in the market place in 1998. Completion as a percentage of employed population has grown by 114% from 1998 to 2009.

The efficiency and responsiveness of the AAC model was clearly reflected when the Government launched the Apprenticeship Kickstart Bonus initiative in December 2009.

The Apprentice Kickstart program injected $100 million of federal funds to support up to 21,000 young Australians entry into traditional trades over the 2009-2010 summer. The new program came about as a result of the final Keep Australia Working Report released in October 2009, which included figures showing people starting trade apprenticeships had dropped by more than 20% during the economic downturn compared to the same time in 2008. Under the Kickstart program, Government increased the commencement bonus for employers in the first year, from $1500 to $4850.20

The Kickstart program exceeded its target of signing up 21,000 apprentices in three months, with 22,049 apprentices signed up and commencing an apprenticeship across Australia.

**Australian Apprenticeships and youth unemployment**

Between July 2008 and January 2009 youth (15-24) unemployment rose from 8.7%, the lowest level since the 1970s, to 9.7%. The number of 20 to 24 year olds not engaged in full-time work or full-time education rose considerably, to around 25%, reversing the downward trend of the previous decade. Previous economic downturns have shown that it takes considerable time for youth unemployment to drop back to pre-downturn levels (see Figure 5 below).

Figure 6 shows that Australia is fairing reasonably well relative to other OECD countries, in better shape than the United Kingdom, the United States, Canada, New Zealand, but slightly behind Germany.

Sustained youth unemployment puts considerable constraint on the capacity for growth within the economy, not only in the area of shortages in skills and labour, but in the reduced spending power of a major section of the population. In many cases high levels of youth unemployment are prevalent in regions experiencing critical skills shortages in occupations requiring higher level and trades qualifications. Long periods of unemployment for young individuals often lead to longer term unemployment as this cohort ages or disengages from the workforce altogether.

---

21 OECD (2009). Jobs for youth: Australia
Improving the performance of youth in the labour market is a crucial challenge. First experiences in the labour market have a profound influence on later working life. Getting off to a good start facilitates integration, while a failure can be difficult to make up. Efforts will require co-ordinated policies to bring the education system closer to the labour market, to help disadvantaged young people to find a job or participate in a training course, and to facilitate the hiring of young people by businesses.\textsuperscript{22}

Australian Apprenticeships remain an important vehicle for youth engagement and therefore boosting the skills levels of young people.\textsuperscript{23} They are one of the few predominantly demand driven training mechanisms in Australia that are directly linked to employment/industry outcomes.

\textsuperscript{22} OECD (2009). Jobs for youth: Australia
\textsuperscript{23} The Foundation for Young Australians (2010). \textit{How young people are faring ’10: the national report on the learning and work situation of young Australians}. The Foundation for Young Australians.
The importance of developing more constructive and meaningful options for the youth of Australia is underscored by longer-term and more recent trends in youth employment and educational participation. There has been a long-term trend for teenage full-time employment rates to fall in Australia, a trend that can be observed since the mid 1960s. Much of the decline has been due to technological and structural changes in the economy and labour market reducing demand for relatively under-skilled and minimally qualified labour. Economic recessions, notably in the mid 1970s, early 1980s and early 1990s have exacerbated the longer-term structural changes. Teenage employment typically has not recovered to its previous level following economic recovery: each recession has marked a structural and permanent change in demand for teenagers in full-time work, rather than a temporary fluctuation in demand.

Until the early 1990s the Australian education system generally responded well to declining demand for teenagers in the full-time labour market: falling full-time teenage employment was balanced by rising educational participation. Schools, in particular, were able to absorb young people who otherwise would have been unemployed or inactive and provide them with more positive alternatives: Year 12 retention rates more than doubled in Australia between

---

the early 1970s and the early 1990s\textsuperscript{25}. However this pattern came to a halt in the early 1990s, with school participation remaining essentially unchanged following the early 1990s recession. Reduced demand for teenagers in full-time work was translated not into positive educational participation, but into increased joblessness, inactivity, and marginal part-time work\textsuperscript{26}.

In response to the challenges posed by high levels of youth unemployment, NSW Business Chamber recommends that any reform of the Australian Apprenticeship system and wider VET system will need to focus on arrangements to improve:

- school-to-work transitions
- mechanisms for linking schools to employers and to the community
- arrangements for regional co-ordination of education and training for young people
- support for those most at risk in the transition
- advice and guidance on education and career options
- financing mechanisms
- monitoring of school-to-work outcomes; and
- processes to match young Australian Apprentices and employers.

What is the best way to raise low apprenticeship completion rates? How are some states and territories achieving much higher completion rates than others?

NSW Business Chamber believes there is a need for more consistent definitions and measurement of completion rates. Completion rates can appear to be lower due to inferring a completion rate from aggregate data on commencements and completions. It is preferable that completion rates be measured according to commencement cohorts and tracking individuals through time so that completion status of each can be accurately determined. This will be greatly assisted by the introduction of a Unique Student Identifier.

In addition, it should be noted that not all non-completions are failures. For example, an individual may leave their traineeship or apprenticeship because they have gained full employment, often based on the training they have already received. Also there are many cases of apprentices changing trades prior to completion, as they settle into their preferred vocation. In some cases an individual may take two or three attempts, all of which will be recorded as non-completions, however the student is progressing.

\textsuperscript{25} From 30.6\% in 1971 to 77.1\% in 1992. Source: ABS Year Book Australia 2001.
Currently these scenarios are not captured in non-completion data. Research has shown that completion rates reflect the economy-wide pattern of labour market mobility. The age group with the lowest completion rates is the 20- to 24-year age group, which is also the most job-mobile age group. Occupations such as sales and service workers, which exhibit high rates of labour mobility, also tend to have low completion rates. Non-completions that have arisen due to better opportunities being presented to students have a positive impact on the individual, their community and the economy.

Notwithstanding the issues relating to measurement of completion rates and the complex reasons for non-completion, apprenticeship non-completions remain a major concern for Australian businesses and are a significant drain on the national training effort. Rates of attrition amongst apprentices in some trades are in excess of 50% of commencements. High attrition rates naturally reduce the number of skilled tradespeople in the workforce, creating and exacerbating skills shortages and restricting business growth.

Figure 7 shows numbers in training, number of commencements and number of completions from 1979 to 2010. While there has been a steady increase in completions since the introduction of competition in 1998, more needs to be done to increase the percentage of completions; albeit these are ultimately a product of commencement growth.

---

Figure 7: Apprentices and trainees – commencing, completing, in-training – 1979-2010
(Source: Analysis of NCVER Apprenticeships & traineeships in Australia from 1963. May 2010)

Figure 8 shows that there is a predicted material improvement in completions over the period 2007-2009 from 50.8% to 56.2%. While this is encouraging, the current completion rate is still too low. The challenge for government in reforming the Australian Apprenticeship system will be to develop effective strategies to address structural issues contributing to poor completion rates as a percentage of commencements. NSW Business Chamber believes that Australian Apprenticeship Centres are well placed to implement such strategies.

For example, AACs currently have a contractual obligation to provide a level of follow-up support to apprentices and trainees throughout the training period. With augmentation, this process can easily be scaled to provide a greater level of pastoral care, mentoring support and, more importantly, assist with better recruitment and selection as this is a key factor in apprentice retention.
It should be noted that completions as a percentage of the employed population have actually grown by 114% since the inception of AACs, growing from 0.7 % to 1.5% (Figure 9). Commencements on the other hand grew by less than 87% from 2.3% to 4.3% of the employed (Figure 4, pg. 30). Whilst the percentage of completions is of concern, there must be a focus on inputs as well.
While there are many factors influencing apprentice completion rates, quite often apprentice disengagement stems from the recruitment and induction period when a fundamental mismatch occurs between the expectations of one or both of the employer and apprentice. Based on the experience, there is recognition of the findings presented in research commissioned by ACCI. The following factors were identified as significant contributors to the attraction and retention of quality apprentices:

- **Recruitment and induction**
  - The extent to which an employer uses recruitment and induction procedures to attract and retain good quality apprentices
- **Meaningful work**
  - The extent to which an employer provides apprentices with meaningful work that improves the skill level of apprentices
- **Training quality**

---

Matching Apprentices and Employers

In recent years there has been a strong focus on apprentice placements and sign-ups. As reflected in the ACCI research, it is critically important to get things right at the beginning. Completion rates can be enhanced by successfully matching apprentices and employers. This includes the provision of better information and advice for both apprentices and employers; robust recruitment and induction practices; industry relevant career advice for young people considering an apprenticeship; effective screening services involving in depth interviews and other tools; and ongoing information and support throughout the apprenticeship.

Evidence suggests that successful completion of the first 12 months of an apprenticeship, correlates strongly with ultimate completion of the entire program. As such, NSW Business Chamber notes that the deferral of a greater percentage of employer incentives towards the end of the training period has had limited positive impact on completion. Therefore, incentives should be considered to assist recruitment and selection up-front. These incentives should be in addition to the existing incentives for Australian Apprenticeships.

Mentoring

Retention and completion rates can be affected by the way apprentices are managed by the employer. Consideration should be given to offering employers training on communication skills, motivating staff, performance management and employee relations.

NSW Business Chamber supports the development of mentoring programs for apprentices to assist in keeping apprentices engaged for the duration of their tenure and ensuring the most effective transfer of skills from employer to apprentice.

NSW Business Chamber welcomes the recent Kickstart mentoring initiative announced by the Federal Government in May 2010. Early indicators show that this program is having a positive effect and demonstrates that AACs, if appropriately equipped, can provide a quality pastoral care service.
The Australian Government, in conjunction with industry, should introduce an Apprentice Mentoring program for employers who have an onsite apprentice mentor to cover the non-productive time spent with apprentices instead of being on the job. Supervising trades people should be offered training in mentoring skills set from the Certificate IV in training and Assessment (TAA) qualification and be given the skills and knowledge needed to effectively mentor apprentices throughout their tenure.

**Pre-apprenticeships**

The provision of effective pre-apprenticeship programs have a positive impact on retention and completion as they give students a taste of what an apprenticeship involves and also provides valuable foundation and employability skills.

NSW Business Chamber believes that future reform of the Australian Apprenticeship system should create better linkages between pre-apprenticeship programs and apprenticeships. Successful pre-vocational training must have a strong element of industry experience and be linked directly to an apprenticeship, with funding contingent on outcomes.

Pre-apprenticeship programs need to incorporate relevant Language, Literacy and Numeracy (LLN) skills, employability skills and basic vocational skills with strong work experience components.

**Incentives**

As previously noted, successful completion of the first 12 months of an Australian Apprenticeship program correlates strongly with final completion. NSW Business Chamber would contend that, in addition to completion incentives, further support is required towards the front end of programs to maximise the chances of Australian Apprentices completing the crucial first 12 months.

**Competency Based Progression**

NSW Business Chamber agrees that competency based progression approaches build the stock of the nation’s skills where there is alignment with the needs of industry. Arrangements for competency based progression in a particular industry sector must be driven by and aligned to the particular needs and requirements of that industry. Broadly speaking, competency should be understood as a proxy for work value, and competency based progression should be on the basis of the acquisition of usable skill sets.
How can the support services provided by Australian Apprenticeship Centres, Group Training Organisations and state regulators of apprentices and trainees be better co-ordinated to provide a seamless service for apprentices and employers?

AACs were contracted by the Australian Government to provide assistance to employers, apprentices and training providers throughout the term of an apprenticeship, as well as to market and promote Australian Apprenticeships and administer incentive payments to employers. This requires a close working relationship with all stakeholders including STAs and RTOs.

AACs are currently delivering well on the services they are contracted to deliver. The Australian National Audit Office reports the very positive underlying Client Satisfaction Surveys conducted annually, and the substantial growth in the market since reforms in 1998, reflect extremely well on the performance of AACs nationally.

Given the non-completion factors, as a percentage of commencements, highlighted above, many of the existing AAC contracted services do not cover some of the most crucial aspects in providing the necessary frameworks for apprentices to remain fully engaged with their employers throughout the apprenticeship. AACs are not contracted to conduct apprentice and employer assessment and screening, provide job connecting services that match employers and apprentices, nor provide pre-apprenticeship programs. AACs are well placed in the training system to deliver these additional services. Existing infrastructure can be used to expand on AACs current contractual obligations. This is consistent with ACCIs proposal for the establishment of Apprenticeship Service Centres.

The recent Kickstart mentoring initiative is a very good example of how the AAC model can be quickly and simply adapted to suit the changing demands of the VET system. The agility of the AAC model is arguably one of the key strengths of the system.

Group Training

The original intent of Government support at Commonwealth and State level in the 1980’s labour market reforms was to leverage a model that:

1. Enabled GTOs to create an apprenticeship employment outcome by pulling together fractional employment opportunities with a variety of SME employers who otherwise would not be able to employ an apprentice.
2. Facilitated employment rotations with various employers to enhance both the work experience and skill acquisition of the apprentice.
3. Did not substitute employment from those employers who would otherwise have directly employed an apprentice.

GTOs are a key component in the overall policy platform in relation to the Australian Apprenticeships system. More recently the GTO model has been adopted in the United Kingdom in 2008, as they try to address their skills deficit as a result of underinvestment.

Since the introduction of group training arrangements in the 1970s, GTOs have played an integral role in implementing entry level training policy in Australia. In order for growth in the group training system to continue, GTOs must continue to operate as competitive business entities, which can develop sustainable markets and provide the necessary services to employers.

NSW Business Chamber notes that in its 2010 Policy Blueprint, Group Training Australia builds on a case for placing GTOs and AACs on the same commercial footing by allowing all GTOs to have access to funding for the apprentice and employer support services that they provide, similar to that provided to AACs.

NSW Business Chamber is, however, concerned that future reform of the Australian Apprenticeship system may see a diversion of funding away from AACs towards GTOs, without the same audit rigour applied, rather than recognising the benefits of both models and building on the strengths of each.

A recent report prepared by the National Institute of Economic and Industry Research for Group Training Australia suggests that the group training model is under threat with market share of commencements falling from 9.8% in 2004 to 6.7% in 2009. In fact, GTO numbers have remained relatively static with market share dropping as a function of government reform in 1998 with the success of AACs in growing the size of the market. There was clearly a market gap pre-1998.

It is pointed out that direct employment is the main substitute for group training. The report argues that the growth of direct employment is being facilitated by increasingly proactive AACs. AACs stand out as a competitor or substitute for group training. The growth of AACs is related to group training concerns of direct employment so far as AACs promote direct employment. One of the primary concerns GTOs have is that AACs can offer services free of charge that would otherwise be offered by GTOs for commercial return. The concerns of GTOs in relation to the competitiveness of AACs further reflects the success of the AAC model.

The report also found that employers considered costs as the main negative issue in their experience with group training. Other negative influences on employer decisions to use group training were the ability of GTOs to develop high quality relationships, the quality of candidates offered, the ability of GTOs to meet performance expectations, flexibility, inadequate operating and computing systems and risk management.

GTO concerns about the AAC model appears to be motivated by concerns relating to a declining share of a growing market and the perceived threat of the AACs. The AAC model clearly suits the needs of employers and apprentices by providing quality service at no cost (ironically many GTOs are now themselves AACs). Employers find the training system overly complex and confusing, and over the last decade, AACs have proven to be successful in navigating employers through the system. NSW Business Chamber believes that any reduction in funding for AACs would severely undermine significant progress that has been made in the last 12 years, and may result in disengagement by employers who see greater benefit and ownership in being the direct employer of the Australian Apprentice.

It should also be noted that the initial role of GTOs was to pull together fractional employment opportunities with a variety of SME employers who would otherwise have difficulty employing an Australian Apprentice. GTOs were to host apprentices and provide employment rotations to ensure a range of experience and skills acquisition. There were benefits for SMEs that could only take on an apprentice for a short period of time.

There is evidence to suggest that employment rotations are now very limited and GTOs are acting as employer substitutes from employers that would otherwise prefer to employ apprentices directly. However, as with most business models, there are good industry examples of where GTOs are fulfilling a valuable industry and market need.
Figure 10 reflects GTOs’ declining market share, moving from a stronger position in 2001. This figure also displays the relative competitiveness and steady growth of AACS which notably, were not as heavily impacted by the GFC. Based on these figures, it could be argued that the AAC model is more resilient to the impacts of economic cycles.

Despite the difficulties that GTOs have experienced in recent years, there are a number of strengths in the GTO model that should be pointed out. GTOs have demonstrated success in conducting initial screening and assessment that ensures a good match between apprentices and employers, and ongoing management of support arrangements. GTOs also provide job linkage support services for apprentices and employers. There is considerable potential to build on the strengths of both GTOs and AACS in delivering such services.
NSW Business Chamber believes that one of the strengths of the current system is that the level of regulation and the barriers to enter the market provides an excellent quality control mechanism that is evidenced by the high service delivery standards that AACs currently provide.

How can school-based apprenticeships (ASBAs) be made more effective?

In 2006, NSW Business Chamber conducted a targeted survey of Industry Associations and GTOs in NSW to identify current and future industry uptake of ASBAs; benefits to industry and young people; ASBAs’ role in addressing skill shortages; articulation from ASBAs to full time Australian Apprenticeships; and factors affecting uptake. Some of the key findings are still relevant and are listed below.

Factors conducive to uptake

- Employers with a strong training ethos, staff willing to mentor the ASBA and full-time Australian Apprenticeship support structures within the business were considered to be more likely to employ ASBAs
- Large enterprises were considered more likely to be able to employ and support ASBAs, whereas GTOs were seen as assisting small-to-medium enterprises’ access
- Trade sectors’ involvement in the former Australian Technical Colleges and NSW Trade Schools was likely to increase the number of ASBAs employed in skills shortage occupations
- Close relationships between stakeholders through local community partnerships, integrated service provision and structured relationships with schools all contributed to uptake

Barriers to uptake

- 85% agreed that lack of industry knowledge of ASBAs presented a challenge to uptake
- 75% of survey respondents agreed that the process of employing ASBAs was too complex and/or time consuming
- Difficulties in accommodating the on-the-job component between school and employer schedules created barriers to uptake
- State schools’ perception of ASBAs as creating funding losses and the relative strength of the VET in Schools model in NSW tend to detract from schools’ uptake of ASBAs. This funding issue appears to be particularly significant. With funding following the student, schools will lose funding if students decide to study at TAFE. This acts as a further disincentive for schools to provide ASBAs as an option.
- A poor perception of trades by career advisors, parents and students, safety concerns and a lack of realistic career advice hindered promotion of ASBAs in skills shortage occupation in schools
- Employers’ concerns about OHS and workers’ compensation issues as a result of part-time attendance restricted uptake in trade sectors

**Structured Training**

- Industry Associations supported VET training in general. However, 60% indicated that some of the available qualifications did not meet industry needs
- Differences in levels of funding between private and public RTOs may reduce employers’ ability to access User Choice funding in choice of training provider
- Funding of ASBA training under the *VET in Schools* allocation contributes to higher costs of trade ASBAs and may act as a barrier to schools’ engagement

**Relationship to skills needs**

- Current occupations that ASBAs are employed in bear little relationship to skills shortages experienced in NSW
- The costs and safety risks associated with employing ASBAs in skills shortage occupations, along with current school funding models are resulting in a narrowing effect on the range of sectors that employ ASBAs in NSW
- Industry Associations in traditional trades considered ASBAs to be of limited value unless they provided articulation and pathways to full-time work or higher Australian Apprenticeships in the same sector

**Commencing a trade apprenticeship as part of an ASBA**

- 70% of survey respondents agreed that changed industrial arrangements to allow ASBAs to commence a trade apprenticeship while at school would encourage uptake
- Industries with a strong history of involvement with full-time Australian Apprentices were the most likely to engage in trade ASBAs
- Appropriate induction training and workers’ compensation are issues of concern that may negatively impact on uptake in trade sectors

**Articulation**

- 75% agreed that ASBAs created opportunities for young people to access more senior roles or qualifications on leaving school
Employers’ acknowledged that the availability and efficacy of articulation from ASBAs to full-time Australian Apprenticeships was very limited. Some sectors reported concerns that two years part-time workplace experience did not equip ASBA graduates to enter full-time Australian Apprenticeships at stage 2 (2nd year).

Commonwealth, state and territory governments can make ASBAs more effective and facilitate increase engagement by undertaking the following:

- Ensure that ASBAs enrolled in a Certificate III trade apprenticeship are eligible to receive an embedded Certificate II qualification on completion of Year 12.
- Work with industry to develop a commencement program for ASBAs at Certificate III level comprising:
  - Completion of bundled induction competencies to develop appropriate introductory knowledge of workplace.
  - Initial placement of continuous full-time work following immediately from induction training, the length to be determined in consultation with the industry sector.
  - Establishing a pilot program to identify, package and deliver appropriate induction competencies for a specific Certificate III ASBA in consultation with all relevant stakeholders.
- Work with industry to ensure strong competency-based assessment to reduce dependency on the “time served” model as a trigger for progression through VET qualifications.
- Work with industry to increase flexibility in the ways ASBAs can complete workplace hours.
- Establish responsive engagement mechanisms to inform, support and streamline employer uptake of ASBAs.
- Allocate additional credits to ASBAs within the HSC to recognise the on-the-job learning and assessment component.
- Allow all National Training Package qualifications to be credited directly towards the Higher School Certificate.
- Extend the allowable time limit for ASBAs to convert to a full-time Australian Apprenticeship from 3 months to 6 months.

The employers need to facilitate increased ASBA engagement:

- Provide part-time employment opportunities for ASBAs.
- Provide adequate support and training to staff responsible for supervising ASBAs.
State and territory governments’ promotion of ASBAs

- Promote opportunities and access to ASBAs in skills shortage occupations within all schools
- Support engagement with established industry-led programs to increase career advisers’ knowledge of career prospects, employment conditions and career pathways in local skills shortage occupations

Improving access to User Choice provisions

- Fund ASBA training undertaken by school students through state and territory funding allocations
- Equalise the rate of funding of apprenticeship and traineeship training between public and private RTOs

Credit for ASBAs within university admission requirements

- Request that the University Vice-Chancellors’ Committees consider options to recognise National Training Package qualifications directly within the university admissions indexes without additional assessment requirements
- Request that the University Vice-Chancellors’ Committees consider options to match the number of units that National Training Package qualifications contribute between university admissions indexes and senior school certificate.

Articulation by

- Research current levels of articulation from Australian School-based Apprenticeships and VET in Schools courses
- Identify options to reduce barriers to articulation and time credits
- Remove or minimise identified barriers to articulation and time credits in consultation with the relevant sector
- Engage with employers, unions, industry associations and ITABs to promote the availability of direct articulation and time credits

Industry Associations, Industry Training Advisory Boards and Employers

- Identify barriers to articulation relevant to ASBAs in the relevant industry
- Addressing barriers to articulation through Training Packages’ continuous improvement process
- Engage with other stakeholders to promote the availability of direct articulation and time credits
- Actively engage with RTOs to ensure that competency assessments are robust, credible and comply with industry standards
- Explore innovative options to reduce the barriers to accessing training in regional areas

**What improvements or alternatives to existing worker traineeships could be considered to support the training of employees in the workplace?**

NSW Business Chamber believes that significant productivity gains can be driven through upskilling the existing workforce to ensure that there is a best fit between the skills base required within the workplace and the existing workforce. There is a need for training providers to work collaboratively with employers to identify and tailor training needs and ensure that workforce training matches the requirements of individual employers.

The original objectives of the traineeship model, proposed at a time of very high youth unemployment, was job creation for young people, addressing the needs of young disadvantaged people and skills development.

While participation in traineeships was low in the early 1990s, they showed considerable growth after 1996. This can be attributed to changes in economic conditions and labour force participation which coincided with a series of significant policy initiatives and incentives that have been implemented. Figure 10 shows the substantial growth in traineeships from 1994 to the natural level at 2008.
Workers compensation incentives removed in NSW and casuals not allowed in Victoria.

As well as incentives offered by the Federal Government, a range of incentives have been introduced by individual states; the great majority of which are administered by AACs. The growth in traineeships since the introduction of AACs in 1998 further emphasises the success of the AAC model.

Figures 10 and 11 clearly show the increase in traineeships from 1998 onwards. The marginal decline from 2003 was due principally to policy changes in Victoria removing the ability for casual workers to be employed as trainees, and in NSW the worker compensation incentive reduction. A clear indication that incentives have an impact.
The age barrier for commencing trainees, previously set at 24 years of age, was lifted in 1994 to allow all age groups to access the traineeship system. Since 2002, numbers of commencements for trainees who were 25 years or older has been consistently above 50% of traineeship commencements.\(^\text{30}\)

In 1998, existing workers (those who are already employed by their current employer) became eligible to add a contract of training to their contract of employment. Existing workers have accounted for over 30% of traineeship commencements since 2002 Australia-wide.\(^\text{31}\) NSW Business Chamber believes that changes to the traineeship model to include mature aged people and existing workers was a positive response to the complex skill requirements of

---

\(^{30}\) Ibid

\(^{31}\) Ibid
employers and industry. This in no way undermines the initial purpose of traineeships to address youth unemployment.

Given the complexity of mature aged new entrants and welfare recipients returning to work through training arrangements, there needs to be recognition of the complex issues facing these job seekers, their transition to work and the additional commitment made by the employer to ensure a sustainable outcome is achieved.

A commitment to upskilling existing workers can effectively minimise training costs and maximise return on investment for training, move employees up the value curve and create opportunities for people with lower skills in the business. In many cases, existing workers have a sound level of knowledge of the work environment and the required job specific skills base. Existing workers also have had exposure to the industry and, unlike many new entrants into the industry, will have formed an understanding of the nature of the work and preconceived expectations of their employment within the industry, and thus have an increased likelihood to complete training.

It should also be pointed out that existing worker trainees have higher completion rates. Employment outcomes are very good for trainees who are full-time, young, and have not completed school. Furthermore, NCVER has found that employment outcomes from traineeships are good, particularly for young early school leavers.

From an employer perspective, traineeships provide a strong opportunity to up-skill employees to higher standards and to ensure that they also meet nationally stipulated requirements (such as qualification levels stipulated under the National Quality Framework for Early Childhood Education). The funding provided through traineeships becomes a useful extension to the learning and development budget of an organisation and a means for the implementation of on-going, consistent training to increase the skill levels of existing workers.

NSW Business Chamber therefore supports current government support (in the form of incentives and user choice funding) for existing worker traineeships. NSW Business Chamber believes this funding should be ‘across the board’ to allow for all members of the workforce to engage with the training system. NSW Business Chamber is concerned that the removal of incentives for existing worker traineeships will result in many employers disengaging from the training system and undermine the need to up-skill Australia’s existing workforce.

In addition, NSW Business Chamber notes the weighting of current funding towards new entrant employees with limited provision of funding for workers that have been with an organisation for more than 3 months full time (e.g. Productivity Places Program (PPP) funding allocated by states and territories to cover the costs of training).

______________________

32 Ibid
NSW Business Chamber acknowledges the PPP is a major resource commitment on behalf of the government to boost Australia’s skills capacity and recognises its potential to grow the supply of skilled labour. However, through devolution of the program to the states and territories, some of this potential has been dissipated and barriers have been created for firms and industries seeking a national application to workforce development.

The Australian business community had high hopes from the original program proposal of a demand driven approach to training that linked government, training providers and employers in meeting skills needs and boosting the productivity of the Australian workforce.

There is room for the PPP to be better harnessed to address skills shortages in critical industries and to increase the uptake of traditional trades.

What was intended to be a demand driven training approach that effectively brought together governments, training providers and industry has devolved into a supply driven program for RTOs. In some instances, achieving a maximum profit instead of providing courses linked directly to industry has seen some of the less reputable RTOs put on courses that are easy to deliver, require no workplace training and are cheap to run.

NSW Business Chamber believes that the Enterprise Based PPP (EBPPP) is a more effective model for upskilling existing workers than the supply driven approaches adopted by jurisdictions. The nature of EBPPP is more in line with industry needs than the existing worker PPP being delivered by the state and territory governments under the national partnership agreement.

NSW Business Chamber believes that where intermediaries such as employer organisations or Industry Skills Councils (ISCs), or Industry Training Advisory Boards (ITABs) are directly involved as a training broker in accessing training places or training delivery, there are often much better outcomes for employers. Employer associations and ITABs are experienced in navigating the complexities of the training system and can provide advice to employers to ensure that the training meets their immediate skills needs. Often these intermediary bodies can also provide advice and direction for looking at longer term skills formation strategies that enable employers to development workforce development plans.

NSW Business Chamber generally supports the role of ISCs under the EBPPP to work directly with industry. This approach should be broadened to enable the ISCs to have a role in rolling out PPP to small and medium sized enterprises to enable a truly demand driven approach.
Issues surrounding the implementation of the EBPPP would need to be addressed to support this approach. For example, ISCs were given short timeframes and insufficient funds to roll out EBPPP. Some ISCs report they were oversubscribed with applications within a very short timeframe, raising expectations within the employer community only to have them dashed.

To refocus the implementation of the existing worker PPP from broadly driven by supply factors to a more demand driven approach, consideration should be given to the development and implementation of a national rollout of existing worker PPP through ISCs, ITABs and industry associations along similar lines to the EBPPP.
2.5 Better connections and pathways across education and training

What are the best models for future VET and higher education collaborations – dual-sector universities, formal networks of institutes and universities, or polytechnics? Is this something governments should facilitate or should it be left up to institutions?

Skills Australia’s Workforce Futures paper highlighted the need for a deeper level of skills than currently exists in the Australian labour market to lift productivity.³³ State and commonwealth governments will need to focus on increasing participation in training and acquisition of post-secondary qualifications, ensuring that a greater proportion of the working age population have attained an accredited qualification.

In addition, state and commonwealth governments will need to achieve multiple and higher level skills and qualification outcomes. The Workforce Futures paper has shown that deepening skills across all occupations is critical to achieving long-term productivity growth. This reflects recent trends for jobs to become more complex and the consequent increased demand for higher level skills. This trend is projected to continue regardless of whether Australia experiences strong or weak economic growth in the future.³⁴

International experience has long shown that the most successful reforms to vocational education create or strengthen links between it and tertiary study. Where this link does not exist, there is a high risk of vocational education being perceived by young people and their parents as low status and low quality.³⁵ More recent experience in OECD countries has shown that when new links between upper secondary vocational education and tertiary-level study are created and are well-publicised, participation in vocational education rises. For example, in the mid 1990s, Finland created a national network of Polytechnics, a new applied tertiary education sector with close industry links and a clear pathway to it from the completion of upper secondary vocational education programs. Between 1995 and 2008, it found that the proportion of upper secondary students taking vocational education rather than general education programs rose from 52% to 68%. The experience in Norway after it reformed upper secondary education in the mid 1990s and created new pathways between vocational education and tertiary study has been similar, although the impact has not been as strong.³⁶

---

³³ Skills Australia (2010). Australian Workforce Futures: A National Workforce Development Strategy
³⁴ Ibid
In the mid 1990s, the NSW McGaw review\(^{37}\) recommended two options for the way that vocational education subjects in the Higher School Certificate could be counted for university entry. The failure of NSW universities to accept either of them is the review’s major piece of unfinished business. Alongside this issue is the need, which has been recognised in the recently released NSW Tertiary Education Plan, to improve the ways in which all vocational qualifications lead to higher education, not just those taken by school students\(^{38}\).

Direct entry to traditional universities from a standard upper secondary vocational education qualification at Certificate III level\(^{39}\) (for example apprenticeship or the equivalent) is quite rare among OECD countries\(^{40}\). However a number of countries have other models in place. Three are common, with some countries illustrating more than one of them.

**The “VET plus” model:** In this model young people in an upper secondary vocational program that confers the right to tertiary entry are required either to undertake additional study or to take a program at a higher level than standard upper secondary vocational courses. Norway illustrates the first case, with a six month full-time bridging course required after completing an apprenticeship or school-based upper secondary vocational program being required in order to be eligible for tertiary study. Its covers the gap between the general education content of the vocational program and the normal upper secondary general education program. Austria, Hungary and Switzerland illustrate the second case, with highly demanding “double qualifying” programs offered as part of upper secondary education (or as part of apprenticeship in Switzerland) that contain either very high level vocational content (at the equivalent of Certificate IV level in Australian usage), a substantially higher proportion of general education content than other upper secondary vocational programs, or both.

**The separate institutions model:** This is found in countries such as Finland, as well as in Austria, Germany, and Switzerland. As an example, in Finland, the Polytechnics have a different mission from research-oriented universities. They offer programs that are typically industry-oriented and applied, but which nevertheless lead to qualifications at degree level. They do not offer degrees for professions such as medicine, and do not offer generalist degrees in areas such as the arts, humanities and sciences. There is a standard and well understood pathway into Polytechnics from upper secondary vocational programs.

**The separate qualifications model:** Many OECD countries offer tertiary qualifications at two levels, one the equivalent of a degree, the other the equivalent of a diploma. Countries other

---


39 Australian qualifications at Certificate III level are equivalent to ISCED 3 qualifications, or upper secondary qualifications, in the International Standard Classification of Education.

40 Sweden is one of the few countries where this occurs.
than Australia in which diplomas play an important role in the overall tertiary education system include the United Kingdom, New Zealand and Switzerland. Programs at diploma level are normally shorter than degree programs (for example two years rather than three), do not lead to advanced research programs, and commonly have a strong applied and industry-oriented focus. In countries such as Switzerland and the United Kingdom there are well understood routes from upper secondary-level vocational qualifications into diploma programs.

Cocks\textsuperscript{41} has pointed out that the UK model appears to have a number of strengths that could be considered in Australia:

“\textquotesingle\textquotesingle The UK model appears further advanced around trade school equivalent operations than in Australia, with a clear distinction around tertiary/university focused sixth form schools and Further Education (FE) colleges, that is, TAFE-run schools with a strong vocational element. This leverages the core infrastructure of TAFE and the corporate capacity to deal with wages, planning, management and other corporate services being used to improve high school outcomes, while the principles focus on education more and infrastructure less. This improves productivity.\textquotesingle\textquotesingle”

While the McGaw review’s attempts to create stronger links between taking vocational education at school and university study did not succeed, at the moment there are new opportunities for seeking new and different solutions in a post-Bradley climate: flexible pathways between sectors are being encouraged; the AQF has been reviewed to encourage such flexibility; and a NSW plan for tertiary education is encouraging the same flexibility.

In looking at successful overseas models of pathways between upper secondary-level vocational education and tertiary study, Australia has a number of advantages: there is a well established post-school vocational education sector with an industry focus that is separate from universities; it has a long tradition of offering tertiary qualifications at diploma level; and it has an emerging role in the post-Bradley climate in offering degree-level programs.

Rather than continuing to argue for relatively low-level Certificate I and II vocational programs to be counted for university entry, a more fruitful strategy in a post-Bradley climate might be to raise the level of vocational studies undertaken as part of senior schooling so that most result in a qualification at Certificate III level, and then to strengthen the link between Certificate III qualifications (whether undertaken through senior schooling, through TAFE, or through other providers) and the vocational education and training sector’s diploma and emerging degree programs.

NSW seems well placed, compared to most other states, to pursue such a strategy. Its TAFE diploma programs already accept Certificate III as an entry qualification alongside Year 12, although this is not well publicised. Moreover, a Certificate III is accepted in NSW as a general qualification for entry to a diploma program. South Australia appears to be the only other state that treats a Certificate III as a general qualification for entry to diploma programs alongside the completion of a senior schooling qualification. Victoria does not recognise any vocational qualification for purposes of entry to TAFE diploma courses. In Queensland, Western Australia, Tasmania and the two territories, vocational qualifications are specified as the entry requirements for TAFE diploma courses, but these are normally at Certificate IV level, and normally not as a generic qualification but only if obtained in the same field of study as the diploma.

Post-school VET and Higher Education

One of the biggest differences between Australian TAFE institutes and English Further Education (FE) colleges is the student profile. In the UK over 40% of students use FE colleges as a primary pathway to gain university entrance rather than as direct preparation for a job.

Foundation degrees in the UK (equivalent to the first two years of a bachelors degree) are largely delivered by FE colleges and offer a cross over level qualification between VET and higher education. In order to achieve the high skill level requirements of the future Australian economy the UK model, which works to increase articulation of these qualifications into higher education, may be worth considering in Australia.

Currently 10 TAFE institutes in Australia are able to offer degree level qualifications. These mixed sector TAFE institutes aim to help their students negotiate the boundaries between VET and higher education qualifications and adapt to learning in university, including through the provision of greater learning support. This is a relatively new occurrence and the benefits of such mixed sector institutions in Australia are unclear at this stage. State and commonwealth governments should investigate the benefits of such institutions as a means of lifting the skill levels of students. However, it should be pointed out that a transition to a dual-sector type model should not undermine the primary function of VET – providing applied industry relevant foundation, trade, intermediate and supervisory level training.

New Zealand has a well established network of polytechnics that provide short-cycle higher education as part of their designated roles. The provision of short-cycle higher education

---

42 Source: State vocational education authority web sites.
courses may also be more immediately beneficial for employers. These aspects of the international education models warrant further investigation.

State and commonwealth governments should work to create an environment where those undertaking vocational study have the opportunity to progress into higher education and where the support and guidance is in place to give them the best possible opportunity to do so. The establishment of pathways from VET to higher education will create future opportunities for students who wish to obtain higher level qualifications but do not meet entry requirements when they leave school.

There is considerable movement between the sectors by students and an increasing expectation to have access to that mobility. The numbers of students transferring between the two sectors are substantial, but are relatively small compared with the numbers following traditional pathways of school to TAFE or higher education. This represents significant opportunities to encourage greater movement between the VET and higher education sectors. NSW Business Chamber recognises the strengths of the VET sector and believes that the creation of robust pathways between the sectors needs to build on the VET sector and not weaken it.

Regional provision

The geographical reach and capability of TAFE and private RTOs provides the means, within the tertiary sector approach, to overcome capacity constraints in the higher education sector and support the longer term sustainability of regional tertiary and higher education provision.

In 2009, the 10 NSW TAFE institutes, which have more than 130 campuses and colleges across the State, enrolled almost 525,000 students in vocational and further education courses, giving TAFE NSW the broadest reach of any vocational and training provider in Australia. Alongside of TAFE NSW there are also around 1,060 RTOs in NSW providing skills qualifications.

Given the strong presence and reach of VET providers in regional areas, Skills Australia should investigate the extent to which VET infrastructure can be used to deliver higher education qualifications. This will provide options for young people to study at a university level in

---

46 However, NSW Business Chamber members based in regional NSW have indicated that distances to TAFE colleges for compulsory VET components, particularly for younger and non-driving students, remains a problem e.g. parents and friends need to drive long distances for an apprentice to train in other areas.
regions and support the retention of young people in regional areas. In addition, NSW Business Chamber members based in regional NSW have argued that using TAFE as a stream into higher education can lessen the impact on regional families who need to send young people to Universities in main centres. Distance education and similar TAFE options could allow only the final year or years of study in main centres, thus reducing the impact on demographics through the depletion of 19 to 25 year olds in regional communities. Integration of VET and higher education courses with structured work placement can assist in retaining highly trained workers in regional communities.

The extent of collaboration between all post-secondary providers (Year 11 and 12 schools, VET providers and higher education institutions) provides the opportunity for significant cost efficiencies.
How should VET in Schools be changed to address the concerns over quality expressed by industry and employers? What sort of industry or other expertise should be required for VET in Schools teachers? Should VET in Schools centres of specialisation be developed to ensure quality and depth of offerings?

It is clear that relative to higher education students, a greater proportion of VET students are from low socio-economic backgrounds and face more learning barriers. There is an over-representation of students from low socio-economic areas in the Australian VET sector. A key challenge for the Government in implementing improvements to the VET system, and particularly VET in schools, is to alter perceptions that VET is only suitable for students with poor academic records. VET provides training options and career pathways that can benefit all learners.

One of the clear messages that has emerged from the NSW Business Chamber’s recent consultations with employers and the community is that young people who do not enter university after they leave school need to be provided with a better preparation for adult life, including their life at work. Present arrangements are not meeting their needs as well as they should: yet they represent three in four of all those who enter high school.

Vocational courses have grown rapidly in schools in recent years, but their level, breadth, and outcomes raise real concerns. Many of the same concerns apply to the vocational education programs taken by young people who have left school after Year 10. In recent years some states have asked questions about the importance of introducing requirements for minimum standards of achievement in basic skills such as literacy and numeracy before senior school certificates are awarded. There should be serious consideration given to the introduction of requirements for career planning and personal development.

Almost all young people aged 16-17 who have not completed Year 12 and who are studying vocational education take courses that are below Certificate III level: either Certificate I courses, courses at Certificate II level, or courses that do not lead to any recognised qualification. These courses are below the minimum nationally agreed measure of attainment of a depth and breadth of skills required for a 21st century labour market; they do not meet international benchmarks for upper secondary-level qualifications; and because of the way that they are defined in the AQF, they aim to develop only relatively low levels of skill.

---


49 Throughout 2009, NSW Business Chamber undertook four policy symposiums involving over 500 participants from business, government, community organisations and its members throughout NSW.
Research on schools’ vocational education programs shows that participants’ Year 12 completion rates are higher when vocational education courses count towards the Year 12 certificate than when they do not. It shows that for students not going to university, taking part in vocational education at school increases post-school flows into vocational education and apprenticeships, and that this is particularly so when the programs have a strong structured workplace learning component.\(^{50}\)

However, completion rates in courses at Certificate I and Certificate II levels are very low: they have recently been estimated to be no more than 20%.\(^{51}\) Moreover, there is now a growing body of research on the relationship between labour market outcomes associated with different levels of qualifications showing that gaining qualifications that are below Certificate III level generally results in wage benefits that are no greater than failing to complete Year 12.\(^{52}\) A recent report concludes by asking whether some qualifications at Certificate I and Certificate II level are contributing in any substantive manner to increased skill levels.\(^{53}\) NSW Business Chamber recognises the poor labour market outcomes for individuals with Certificate I and II level qualifications but maintains that these low level qualifications provide a good opportunity for disadvantaged learners and existing workers with no formal qualifications to engage with the training system, not to mention provide foundation skills for higher level education.

Current patterns of program depth, program breadth and program outcomes indicate that we need to be more ambitious in what we expect of young people who enter vocational programs after Year 10. We need to find ways to offer all of them programs that provide them with a depth and breadth of skills that will equip them for working life in a changing labour market.

\(^{50}\) Lamb, S. and Vickers, M. Variations in VET Provision across Australian Schools and Their Effects on Student Outcomes LSAY Research Report No. 48, ACER, Melbourne


2.6: Balancing responsibilities for investment in a skilled future

What is the best means of raising revenue to expand the system? What are your thoughts on – raising tuition fees, with income contingent loans for higher cost, higher-level programs for individuals; increased co-funding of programs for employers; the advantages or disadvantages of an industry levy to partly fund training?

It is generally regarded that an industry levy will not encourage businesses to further engage in training and can actually breed resentment and a cost culture of training in industry. The Training Guarantee was introduced in 1990 as a result of concerns by the Government about businesses that did not train staff. The Training Guarantee Levy created dysfunction within the VET sector by creating a fixation with supply side issues in public VET providers while not increasing uptake of training to any degree.\(^{54}\)

NSW Business Chamber believes that the best way to assist small businesses to develop workplace skills is to recognise employer training efforts and provide businesses with ongoing support to expand their skills base. NSW Business Chamber does not support the introduction of industry or employer financing arrangements, such as training levies on industry.

Role of ERTOs and increased co-funding for employers

As mentioned earlier in the paper, ERTOs make a significant contribution to investment in VET. ERTOA research found that ERTOs ranked the ability to access external funds as the least important business driver for seeking and maintaining RTO registration. With less that 25% of ERTOs securing public funding for training provision, it clearly shows a strong commitment to and significant private investment in VET.

In addition, the ERTOS model is not limited to large businesses that have greater capacity to deliver internal training. The ERTOA research showed that the size of an enterprise has little influence on the decision to seek and maintain RTO registration. ERTOs include a relatively even spread of small, medium and large business enterprises.

Skills Australia should recognise ERTOs’ lack of dependence on public funding and investigate how this model can be adopted by more Australian business, of all sizes. It would appear that more internal provision of VET through RTO registration can reduce the burden on public funds for VET and contribute towards the expansion of the system. Public funds could be more efficiently used to assist ERTOs with the implementation of workforce development plans and strategies (this could include a focus on using workforce skills more productively). ERTOS can

make a valuable contribution to workforce development objectives, with ERTOA showing that most ERTOs have some form of structured workforce development model which typically leverages existing business processes and job performance measures.

NSW Business Chamber is aware that Skills Australia has suggested that conditions could be placed on any allocation of public training funds to enterprises. Skills Australia needs to be mindful that introducing a Government requirement for enterprise workforce development plans as a condition of public training funds may risk further disengagement from enterprises, particularly SMEs. SMEs should be supported to develop high performing workplaces however any regulatory requirements to do so will have limited effectiveness.

Should there be an ‘enterprise-responsive’ funding stream that is co-funded by government and enterprises to support enterprise directed workforce development activities? If so, what criteria should be applied to receive funding?

NSW Business Chamber understands that ERTOA has been in discussions with Skills Australia relating to enterprise-responsive funding. This is where the funding is provided directly to the enterprise to lift the skills of its workers in areas of greatest need. This concept models the clear involvement of industry in the VET system, This avoids waste in the area of funding and creates demand. Here demand is identified prior to the supply of the training. Skills are targeted and results measureable. Students can also be tracked. The present EBPPP funding through ISCs is a close present example of this.
2.7: Governance for the future – establishing foundations for growth

What are the top policy priorities for a new intergovernmental agreement to revitalise the national VET system? How can any weaknesses in shared government responsibility be addressed?

NSW Business Chamber supports policy that will ensure greater consistency of the Australian Apprenticeship system across Australia. This is consistent with recent harmonisation policies, such as the introduction of a National Regulator for VET. Consequently, NSW Business Chamber does not support any future model that involves solely state service delivery. Importantly, national employers do not need or want the complexity of navigating any state specific solutions that restrict work movement and flexibility.

The NSW Government in particular, has a poor track record of managing finances and being accountable.

The NSW Government Apprenticeship Centre had three times as many staff for relative market share as their more efficient competitors. More generally, the NSW Government has a history of going over budget and failing to link expenditures to outcomes. In their 2006 New South Wales Audit of Expenditure and Assets, Michael Vertigan and Nigel Stokes observed a long-term tendency for the state’s actual expenses to exceed budgeted expenses by at least $1 billion a year. Unlike Victoria, NSW has failed to adopt a fully services based budget that reports on the quality and timeliness of government service delivery in addition to the number of services and their cost. Again, while other states publish quarterly reports on agency spend against budget allocation, NSW does not.

Both the NSW government’s fiscal indiscipline and its non-transparency are indicative of a culture of unaccountability that has persistently led to substandard service delivery. While it may be worthwhile having the state government as a provider of services in the market for other reasons, including the quality of training provision, there are strong arguments why it should not be the only provider.
What would be the strengths and weaknesses of an entitlement-based funding system for the VET sector?

The obvious risk associated with a student entitlement model is the likelihood that students will make uniformed choices without adequate advice and guidance relating to employment outcomes. An entitlement based funding model threatens to sever the link between employers, job outcomes and the training system.

Hart\(^55\) expresses concerns about recent moves to a product-driven market, particularly in Victoria, through the return to traineeship/apprenticeship training without employer involvement, and the transformation of the very framework of the training system from job descriptor to definitions of learning process. It is pointed out that in Victoria a learner can decide to do a course in fitting and turning, despite no likelihood of ever being employed in this capacity. Students can choose courses without any consideration of the vocational outcome.

It is in the interests of students, employers and the wider community that training is linked to industry demand for skills and gives students the best chance to secure employment when they have completed their training.

While NSW Business Chamber does not oppose a student entitlement model in principle, it is critically important that students are provided with robust industry careers advice to ensure they are able to make informed decisions about training which will maximise their chances of securing meaningful employment.

NSW Business Chamber supports a system of accreditation introduced for school career advisers to improve the quality of advice given to students. These career advisers should have well developed links with industry and a comprehensive understanding of employer needs.

How might funding caps or incentives be used to meet labour market needs for specialised occupations? What principles or features should be adopted in developing the funding mechanisms for vocational education and training?

The purpose of incentives is to influence employer behaviour in a positive manner to engage in an Australian Apprenticeship and to act as an offset for the lower productivity of an Australian Apprentice early in their training. Employer incentives provide motivation for employers to engage in training.

It is essential that incentives for Australian Apprentices are flexible and responsive to ensure that the skills needs of industry can be adequately met by the national training system. At the

base level, incentives should be a broad platform that enables industry to meet their skills needs regardless of their industry sector or the size of the employment base in that field. In a truly flexible and responsive system, niche occupation areas would have the same access to incentives as high demand occupation areas and be available regardless of the location of the employer or the training provider.

Substantial increases to Australian Apprenticeship uptake have always had a strong correlation to financial support provided to employers. Since 1970, four significant waves of growth in apprenticeship numbers have occurred.

As figure 11 illustrates, the first wave coincided with the introduction of national subsidies for employers to take on apprentices, while the second wave of growth followed an enhanced national employer incentive scheme. The third corresponded with the introduction of the Australian Traineeship System in 1985 and the fourth and largest wave in 1998, was supported by the New Apprenticeships Incentives Program, the introduction of AACs and a competitive market model.

Figure 11: Periods of growth in apprenticeships, traineeships and new apprenticeships, 1970 to 2003 (Sources: see above – unpublished data refers to the following publication – Department of Education, Science and Training (2004). Skills at Work: Evaluation of New Apprentices)
Australian government assistance to employers of apprentices first became widespread with the introduction of the National Apprenticeships Assistance Scheme in 1973; financial incentives were introduced in 1987 and provided employers with two payments of $1,500 each paid at commencement and at completion. Career Start Traineeships were introduced in 1992 and incentives were raised to $2,000. The apprentice subsidy rate increased to $4,000 in 1994. From late 1996, incentive payments for apprenticeships and traineeships were increasingly brought into line.\textsuperscript{56}

All traineeships above Certificate II level and apprenticeships now attract identical standard commencement and completion incentives totalling $4,000.

This demonstrates that incentives for the employment of apprentices have not changed in dollar terms in 15 years. Clearly the value of this incentive in real terms has diminished to a nominal payment at best.

An employer receives the same $4,000 incentive whether they employ a young person on a 12 month traineeship, or a three to four year commitment in the case of an apprenticeship. The level of incentives for employers clearly needs to be considered in any future reform of the Australian Apprenticeship system. It should be noted that the level of incentive is only a small proportion of the full cost to a business of supporting an apprenticeship – and is not the primary motivation for choosing to engage or not.

NSW Business Chamber believes that financial incentives should be driven solely by the demand from employers, not pushed by government based on the perceived economic contribution of a worker in that industry area. Restricting incentives to a limited number of occupations and individuals would adversely affect the ability of employers seeking to train in certain occupations and potentially restrict many employers from hiring staff.

This could also have a significant impact on youth unemployment rates as apprenticeships and traineeships, including those at a lower skill level or outside the “high skill, high demand” occupation fields on the Skilled Occupations List represent a significant employment opportunity for young people.

Reform of current incentives for training is needed to streamline the payment framework, minimise administration and maximise the benefits gained from publicly funded training incentives.

\textsuperscript{56} Department of Education, Science and Training (2004). Skills at work: evaluation of new apprenticeships
NCVER points out that the Australian Apprenticeship Incentives, in conjunction with the National Training Wage, act to reduce the cost of employing trainees and there is little doubt that this has been instrumental in the growth in the numbers of trainees.\(^{57}\)

**Non-financial incentives**

In addition to financial incentives, non-financial incentives can have a significant impact on employer engagement with the training system. These incentives can be in the form of recognition schemes and excellence awards that identify best practice models and approaches to training, and provide the recipient with prestige but not a monetary outcome.

ACCI believes that a Building Our Future Challenge should be established so that employers who show a strong commitment to building the future workforce should be publically recognised. Under this scheme, employers showing a commitment to training by having a 6% or greater portion of their workforce as apprentices or trainees become recognised as an employer of choice for apprentices and eligible for membership of the group.

This would recognise the employer as an employer of choice for apprentices and trainees and provide the employer with a marketing tool in the form of a logo/Employer of Choice tick, for use on stationery and websites. Ideally this system would be administered by business and industry associations in conjunction with AACs.

\(^{57}\) Ibid