



Service Skills Victoria

## **SECURING OUR FUTURE ECONOMIC PROSPERITY – DISCUSSION PAPER ON SKILLS REFORM**

### **A response from Service Skills Victoria**

Service Skills Victoria (SSV) is pleased to provide to the Victorian Government this report in response to the Securing our Future Economic Prosperity, Discussion Paper on Skills Reform.

SSV is one of fourteen Victorian Industry Training Advisory Boards, whose primary role is the provision of advice to government agencies, industry and the learning community on skills, education and training for the service industries. It represents approximately a third of the state's workforce.

The service industries are growing strongly in Victoria, in line with strong population growth. There is significant investment taking place, particularly in retail and hospitality, which has the potential to create capacity in an economy that in many sectors and geographic areas is seeing capacity constraints. There is, however, a serious constraint facing the service industries in that they are at capacity for human resources. If the capacity being created through new investment is to be realised, we must also invest in the human capital that will be required in what are our most labour intensive industries. SSV therefore welcomes the Victorian Government's recognition of the importance of developing a skilled workforce and its commitment to keep our training system at the leading edge.

Our responses have been developed from the feedback we receive from our significant interaction with industry, registered training providers, secondary schools, universities, and business, both small and large. In framing our response to the discussion paper, SSV is mindful of the need to maintain the industry leadership that exists in our training system, to focus on quality outcomes that can deliver on the future needs of industry and to ensure that we are getting the right people with the right skills into the right jobs.

Question 1: If government supported training for all eligible Victorians were introduced, what should the eligibility criteria look like?

A market based system, placing the buying power in the hands of those who are eligible, must recognise employers as buyers of training. As the system currently stands, people can undertake training to a trade level in hairdressing and commercial cookery without engaging in an apprenticeship, providing they are prepared to pay the fees. This system does not necessarily supply industry with people who have the appropriate personal qualities to succeed and often produces frustration amongst employers who find recruits who are not suited to the industry, and amongst students and parents who have paid substantial fees and can't achieve successful employment outcomes. Changing the eligibility requirements for government funded training cannot be allowed to perpetuate this anomaly at the expense of employment based training that produces genuine industry outcomes.

If, as we expect, the economy is going to require individuals to participate in training throughout their working lives, then the definition of eligibility needs to be broadened, particularly in the context of the current workplace and 'boundaryless' careers.<sup>1</sup> This will mean recognising that people 'shift sideways' in their careers and may need to access training to facilitate the additional skills required by such moves, but also that many skills are transferable, so that our recognition of prior learning processes may need to become more sophisticated to ensure that we don't train people for skills they already possess (see further comment under question 8).

The focus on eligibility may also have implications for the development of vocational skills in the schools sector. At the moment much training that is designed to produce an industry level, workplace based outcome is delivered in an environment that prevents such outcomes being achieved and may negatively impact on an individual's ability to access future funded training. Such school-based training should not, under the proposed system, prevent people from accessing funded training. Further, it may be incumbent on the schools system, under the development of its new blueprint, to consider other ways of delivering vocational skills that can enhance industry outcomes rather than replacing them and frustrating employers when they hire qualified people who aren't able to demonstrate true competence.

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<sup>1</sup> 'boundaryless' careers are those where the boundaries between work functions and structure, including work and private life are diminishing (Arthur, M. B., & Rosseau, D. M. (1996). Introduction: The boundaryless career as a new employment principle. In M. B. Arthur & D. M. Rosseau (Eds.), *The Boundaryless Career: A New Employment Principle for a New Organisational Era* (pp. 3-20). New York: Oxford University Press.)

Question 2: How could this proposal be marketed to encourage higher take up, particularly among Victorians who have never considered VET studies?

As we move to more of a free market system, we need to ensure that the principle of an industry led system and the objective of providing skills to assist industry to grow are maintained. Fundamental to this will be the provision of information to ensure that those who are 'buying' training are able to make informed decisions on the basis of independent information. Industry Training Boards, as industry based, independent providers of information, will have an important role to play in the provision of this information. Indeed in years gone by, and with different levels of resourcing, Industry Training Boards have been able to make a valuable contribution to career information and training options for their respective industries. As this role is not funded under the current arrangements, there would need to be changes to Industry Training Board Performance Agreements and funding levels if it was to be re-introduced.

Marketing needs to focus on the provision of quality information over an extended period of time, with some form of measurement to judge effectiveness. Limited, flashy advertising campaigns, such as goldfish on trams, do not produce lasting benefits.

Question 3: What proportion of course costs do you think is reasonable for an individual or business to contribute?

The re-introduction of tertiary fees along with HECS style repayments make it attractive to impose costs on individuals for the human infrastructure that is essential to grow our economy, and to argue that there is equity in doing so. In reality, if we want to develop our economy and therefore build human capital through a world class training system, we need to invest in skills. This means providing such infrastructure through the public purse, focusing on quality outcomes and developing management skills so that we can attract, train and retain a skilled and productive workforce.

An alternative may be some form of 'bonding' that requires a person to work in the industry for an agreed period, such as has been used in the past with the teaching service, to ensure that the skills developed through Government funding are retained within the economy, at least for a period of time.

Question 4: Is it reasonable to introduce higher fees for students for training courses that deliver higher individual benefits with improved employment opportunities?

Higher fees will not encourage more people to participate in the training system. It is already evident that this proposal will prompt broad and passionate debate, to the point where it may detract from other aspects of skills reform.

*Question 5: Should the Government consider an income contingent loan scheme as currently applies to university education?*

There is an argument to suggest that such a scheme will actually broaden the population that can access vocational training, as even relatively low fees are inaccessible to some people. However, when packaged with proposals that imply substantially increased and variable fees, any benefits inherent in such a proposal will be lost in the political debate.

Maximum participation will be achieved by retaining a low fee structure combined with fee relief through the welfare system.

*Question 6: How can the system be structured to produce a better match between the future needs of the Victorian economy and the training choices made by individuals and businesses?*

Victoria's Industry Training Boards have played a significant role in identifying the training priorities of their industry sectors. In a system driven by individual choice, accessing information and understanding the skill needs of industries will be even more important in assisting people to make career choices that contribute to our economic development. Industry Training Boards are well placed to undertake this role, albeit with a new and more diverse audience.

The danger in a market driven system will be that choices are made on the basis of advertising campaigns rather than industry needs, which may result in employment mismatches in various sectors, especially when those sectors might not be the 'flavour of the month'. This has already occurred in some industries (eg IT) where government funding has tried to play 'catch up' with industry development. An efficient and effective training system will deliver skills for industries' future needs.

*Question 7: How can Government best support TAFE and ACFE providers to thrive in a more competitive environment?*

Whilst economics tells us that a more competitive environment encourages efficiency, it is critical that the system also delivers quality outcomes, which could not be guaranteed in a fully deregulated, market based system. Our current regulatory regime has had mixed success in assuring quality outcomes. This appears to have been especially the case in industries such as cookery and hairdressing, which have been popular targets for people amassing points for permanent residency, with the consequent proliferation of training providers. Many private providers in these industries provide excellent outcomes, but those that have focused on throughput rather than quality have not made a contribution to the skills of our workforce, yet appear to have been able to operate with impunity.

If a more competitive model is going to work, it must be effectively regulated in order to assure quality outcomes. Being able to negotiate a registration process will not be enough to deliver such assurance. An audit process for those providers wanting access to government funds under the proposed program may also involve Industry Training Boards bringing an industry focus to the process.

*Question 8: How can government make its support for students undertaking training available in a way that encourages training providers to be more innovative, flexible and responsive to the needs of individuals and businesses?*

Students and employers need to be able to make informed decisions about the training and occupational outcomes they want. Training Providers have an important role to play in providing such information, but it should ensure that prospective customers are able to access independent information that outlines the job prospects for the occupational outcome of training being considered. Industry Training Boards can play an important role in providing such information.

Training also needs to be matched to the needs of the student and the employer. As we move to an economy where people change careers more often, 'top up' training will become more common. This will mean that providers will need to identify the training that is required and the system must be able to allow them to deliver it. In areas of defined skill shortage, such training should be funded, even if it is in addition to an existing qualification. Effective Recognition of Prior Learning processes (or a formal skills recognition process) will be an integral part of the system. Delivering a quality outcome will also be critical (see response to question 7).

*Question 9: In what ways can Government help individuals and businesses better understand and access the benefits of vocational education and training?*

The training system is currently complex and difficult to navigate for the uninitiated. An employer employing an apprentice or trainee may well have to deal with:

- the Federal Government through an Australian Apprenticeship Centre and/or a Skills and Training Information Centre;
- the State Government through a Skills Store and/or an Apprenticeship Field Officer;
- a group training company;
- a training provider; and
- the selection of a suitable candidate

They have to enter into a contract of training as well as developing a training plan and choosing the appropriate qualification for the job role being envisaged. With advice coming from a number of different directions, it appears that whilst everyone is there to help, no-one actually represents the interests of the employer and employee in making the best decisions for their business and their career.

The Victorian Government has recently piloted a program, 'My Business, My People' that looks to assist small to medium sized enterprises to identify their business development needs and then identify programs that might help to meet those needs, including training. The program provides a consultant who works with the business, at their own premises and can work as a quasi broker to ensure that the appropriate programs and outcomes are pursued. Continuing this program, and ensuring it can be used to identify training needs and pursue solutions will provide someone who will be on the side of business in working through the maze of the Australian training system, should be a high priority.

The training system needs to work closely with regulatory authorities and federal, state and territory governments with each other, to ensure that the training system is able to interface seamlessly with regulatory and licensing systems. Individuals should not have to undergo, for example, training in the responsible service of alcohol every time they move into a new state.

SSV welcomes the Victorian Government's commitment to skills reform. Many of our service industry sectors are suffering unprecedented skills shortages which are having a real impact on the capacity of those industry sectors to grow in Victoria. Addressing these needs through accessible, affordable and effective training is a critical part of facilitating that growth, along with developing the management skills to attract and retain the right staff and providing quality outcomes so that the workforce we train has the skills to keep the Victorian service industries at the forefront of best practice.

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