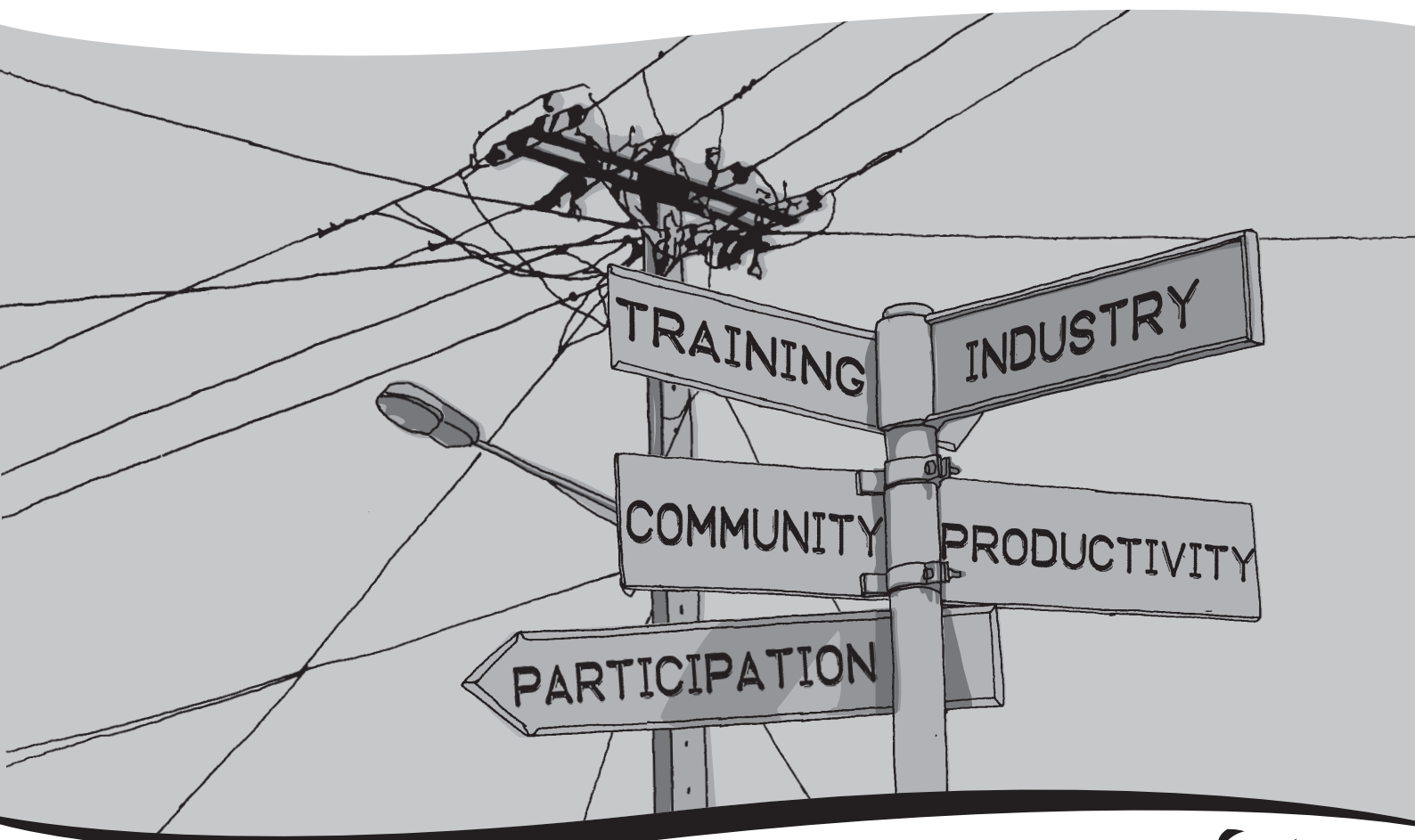


Skilling Tasmania

Discussion paper

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October 2007



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Skills Tasmania is a statutory body with responsibility to implement Tasmanian Government Policy on skills and training.

This discussion paper has been prepared for public consultation and input to policy development.

A broad range of ideas and views have been included in this paper for the purpose of stimulating discussion and feedback on policy matters.

Questions and ideas posed for discussion should be read in this context and should not be interpreted as being the views of, or necessarily supported by Skills Tasmania or the Tasmanian Government.

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Foreword – An invitation



I am pleased as the Chair of Skills Tasmania to welcome your participation in this consultation.

I see the next few years as an exciting time for Vocational Education and Training (VET) in Tasmania and am looking forward to hearing the views of the system's clients.

The Tasmanian Government has announced a restructuring of post-Year 10 education and training that will better align Tasmania's public education and training system with the skills outcomes that will be needed for the state.

Skills Tasmania needs to make sure the policies for managing and resourcing Tasmania's VET system will both maximise the advantages of the new structures and encourage the development of a strong training market to meet community expectations for economic development and allow individuals full participation in society.

As the Skills Tasmania Board; my seven colleagues and I have the challenge of ensuring that Tasmanian enterprises and Tasmanians have a VET system that supports a productive

workforce and contributes to economic and social development. The critical element in meeting this goal is effectively communicating with industry and VET providers to create a truly client focused training system.

I am delighted that at its first meeting, the Skills Tasmania Board determined that it would enter into a comprehensive consultation process.

I am extremely excited about this consultation, and the potential for refining and improving the direction for VET in Tasmania. Essentially, this consultation will open up a conversation with industry and training providers, allowing suggestions on how we can improve upon what we currently do, as well as introducing new ideas. Informed input in this process is imperative if we are to have a truly client centred, industry driven approach to skills development in Tasmania.

This paper introduces discussion on the challenges in managing and resourcing Tasmania's VET system. It floats ideas that may be challenging, even controversial, but it is important that they are on the table, even if they are rejected. My hope is that the paper will stimulate thinking and discussion about the directions vocational education and training should take and encourage people to put their ideas forward. And while there are questions posed throughout the paper, there is no expectation that everyone will respond to all of them and there may be other questions that are more important to some readers.

There will also be a series of forums held throughout late October and November this year at which your attendance and input will be highly valued.

Avenues for providing feedback and timelines are detailed on the final page of this paper. I strongly urge you to participate in this important process and pass on your valuable feedback on how we can be even more successful in Skilling Tasmania.

A handwritten signature in black ink, appearing to read 'D Hind'.

David Hind
Chair, Skills Tasmania Board

Skilling Tasmania – Summary of Discussion Points

Skills Tasmania manages and funds the public training system on behalf of the Tasmanian public. It will spend in the order of \$90 million annually and is determined to get best value. To make informed policy decisions it is essential to have locally relevant advice from informed Tasmanians, particularly businesses and people that use or want to use the training system to build skills. There is also a private training market that is an important and substantial component of the training system, active in meeting a broad range of skill development needs.

The following list summarises where input would be valued:

- Some employers and some industry sectors are not big users of the training system – is there more we can do to meet their needs?
- What will encourage employers to offer more apprenticeships, especially to mature age learners? What help do employers need to provide a supportive environment for their apprentices?
- Have we got the training system products right? Are they understood? Is the Government funding the right things?
- What are the most important “soft skills” from an employer perspective?
- Can we make better use of industry bodies? Can we be better at talking to industry? Can we involve industry more in decision making about funding? Can unions and employers help increase the number of mature age people upgrading their qualifications?
- Should the government have as an objective a better performing private training market? What needs to be done to get better outcomes for private training market clients?
- What will encourage apprentices to complete their training? How important are wages and conditions, would incentives such as a completion bonus work, how important are supportive and mentored work environments?
- Can we make it easier for employers and individuals to themselves invest in skill development?
- University students do, and soon a small number of VET students will, have access to government-subsidised loans and can therefore avoid up-front fees and commercial loans; is there scope to extend these more broadly in VET?
- Should qualifications be prioritised so some are given a higher value for public funding than others?
- Should the government’s third party funding role whereby training organisations are funded to provide training be refined, perhaps shifting more to funding clients to buy their own training? This could apply to client groups, or industry or regional bodies, perhaps in partnership with training organisations.
- Should the policy that restricts to TAFE, funding for a group of apprenticeships, be changed and are any refinements to the apprentice and trainee system needed?
- Have we got the right balance in emphasis between training for existing workers and training new workforce entrants?

- What are the best ways of achieving skills development for people who are disengaged from the world of work and have low skills or other barriers to employment?
- What information would small business like to know about the training system and how would they like to receive it?
- More overall training investment is forecast to be needed to tackle skill shortages and increase productivity – how do we pay for it? What are the relative roles of government, employers and individuals?
- Partnerships between industry and training organisations, rather than one-off contracts, can produce good outcomes, what can be done to extend their use.
- Should the government spend training money on more than just training, and include other things such as brokerage or support that will get skill development outcomes?
- How effective will a cadetship model be for higher skilled occupations?
- How effective are employment incentives for apprentices and trainees and can they be better targeted?
- Some states are integrating skill development and training with other workforce development and participation strategies. Partnerships between employers, training bodies, communities and government are important for this to work. What would be the best way to make this approach successful in Tasmania?
- What can we do to make workforce development solutions especially accessible to small business?

Section I – Background

I.1 Context for the development of new policy

Tasmania has experienced a period of strong economic growth.

Tasmania's population continues to increase, unemployment remains low, exports are growing and consumer spending is strong. World economic activity is buoyant, the demands of development in China and India are forecast to continue and there is no expectation that the current conditions will significantly change in the short term. There are substantial developments planned across the State and as is the case nationally and internationally, unmet demand for skilled people is becoming a major problem for industry.

The particular challenges for Tasmania are: an aging population, low labour force participation, and relatively low numbers of people with post-school qualifications including relatively few with higher level VET qualifications.

The Tasmanian phenomenon of young people leaving school after Year 10, presents a particular challenge. While many have entered the workforce, many have not gone into long-term jobs and have missed out on important skills development. Labour supply constraints, economic conditions and the urgent need for productivity growth indicate the need for a workforce with more skills and more advanced skills than are now available.

Productivity has been the foundation of Australia's recent economic growth; however the gains from economic and labour market reform are now slowing. Skills are the next major focus for continuing productivity growth and economic development.

Education and training, particularly VET, is the principal tool government uses to increase the stock of skills in the community, the supply of skills to employers, and in mitigating the impact of skills shortages.

VET is a highly complex system of products and services. It has to respond to a wide client group seeking a wide range of solutions. It is provided by TAFEs, specialist training businesses, organisations that include training in their role, employers that train their own staff, and schools, colleges and higher education providers. It includes training aimed at people preparing to enter or re-enter the workforce, and advanced skills development for those in the workforce. It includes apprenticeships and traineeships, training courses to prepare people for employment, and training for people to improve their skills or change direction. It ranges from the very general to the highly contextualised. It has to meet local and individual business needs as well as providing people with highly transferable skills. It is highly regulated yet tries to be responsive and innovative.

The training is paid for by government, employers and individuals and each client group has its own priorities.

In 2005 there were 39,700 people enrolled in the Tasmanian public VET system (government and privately- funded training provided by TAFE Tasmania, and all government-funded training provided by private registered training organisations {RTOs}). Additionally, there were an unknown number of enrolments in the private system (privately funded training delivered by

private RTOs). Of those in the public system 26% were at certificate II, 35% at certificate III, 13% at certificate IV, and 10% at diploma or above.

A new structure will apply from 2009. TAFE Tasmania and the senior secondary colleges will be replaced by three new organisations. The first, a training enterprise, will focus on the training needs of business and their employees, including apprentices and trainees. The second, a polytechnic, will cater for learners who are on a vocational pathway and seek applied learning for a future job or career. A third organisation, an academy, will cater specifically for young people focused on an academic pathway to university.

This new structure will provide clear and attractive pathways for skills development and the policy challenge is to ensure VET system management, processes, products and funding make the most of the new opportunities.

Tasmania needs increased productivity. It is essential to the economic and social wellbeing of all Tasmanians. Individuals benefit from having the skills to participate in the workforce, and employers benefit from having a skilled workforce. There are opportunities and there are challenges, and what we do to achieve the aim of 'skilling Tasmania' will largely reflect how we meet those challenges and take advantage of the opportunities. It is likely that a successful system will have a truly client-centred and responsive approach to skills development, and be sufficiently innovative and well-resourced to achieve the dual workforce development and social goals of productivity and participation.

1.2 The policy process

This is the expected process; however it will be subject to reviews based on progress and results at each stage

Stage	Purpose	Process	Completion
Skilling Tasmania Consultation	To canvass views and advice to inform strategic directions	Discussion paper Targeted consultations	September to December 2007
Strategic directions	To develop strategic directions	Directions consultation paper Targeted consultations	February to March 2008
Draft policy	To refine and confirm directions	Final consultations	April to June 2008
Final Policy Statement			July 2008

1.3 Skilling Tasmania: a vision for VET

Labour shortages and skills shortages represent significant constraints on business. Skills shortages limit business capacity to respond to opportunities, the pressures of international competition, new technologies and the impacts of an aging workforce. While economic growth is increasing the pressure on the existing skills base of the Tasmanian workforce, many Tasmanians remain unemployed or underemployed, without the skills to properly share in the benefits of economic growth.

Investment in skill development will lead to increased productivity and workforce participation, so is essential to both economic and social prosperity.

The Tasmanian Government is committed to strong investment in skills formation to enable industry and individuals to access the training they need; and to build on that training with strategies to maximise the use of available skills. Both an effective training market and innovative workforce development strategies will be required in combination to take the next steps in skilling Tasmania. How we ensure the training market is operating optimally and how we make sure we have the best workforce development strategies are matters on which Skills Tasmania will value stakeholder input.

Skills Tasmania

Skills Tasmania has been established to guide the response to skills shortages and to lead reform of the Tasmanian VET system. Industry has an essential role in overseeing the skill development process through membership of the Skills Tasmania Board and through consultative and cooperative processes. In addition, work being done by development agencies, particularly the Department of Economic Development, the Department of Treasury and Finance, and the Demographic Change Advisory Council, will inform the work of Skills Tasmania and expenditure under the state training budget.

1.4 Skills development, the labour market and VET

Tasmania is experiencing sustained economic growth. We have a broad and diverse industry base and a small population. We rely heavily on exports, particularly on the products of primary industries and manufactured products that are often, but not exclusively, sourced from those primary industries. Export markets are notoriously demanding and increasingly competitive yet there are continuing business successes, not only in traditional exports but also for niche market and 'high tech' manufactured products and services.

Tasmania has not had the sectoral boom¹ that some states have experienced but major projects are underway and being planned. The high levels of activity in the building and construction industry are continuing with sustained growth supporting a record number of apprentices.

All these trends contribute to a tight labour market with changing demands and serious shortages of skilled workers.

So skills development is vital, not only for government but as a shared responsibility between government, employers and individuals and it requires a range of strategies. A range of workforce development and market intervention strategies are the responsibility of government, both at various levels and through various agencies. One of these strategies, education and training remains the principal mechanism for ensuring the long-term supply of skills to the workforce. Immigration of skilled labour helps at the margins but to increase the stock of skills in the community, training is the answer. Education and training in general is the responsibility of Government, industry and individuals. The formal, national VET system² is the principal focus for this paper.

¹ Not all states and territories, and not all sectors, have experienced the levels of activity of the resources sector in Western Australia and Queensland in particular.

² The national VET system is a system of accredited training, managed cooperatively by the Australian Government and the states and territories, in which both qualifications and providers are regulated according to nationally agreed processes.

The State Government has responsibility for VET and the 2007-08 State Budget shows expenditure of \$102m on skills development and related activity.

Under the 2005-08 Commonwealth–State Agreement for Skilling Australia’s Workforce, two-thirds of public training expenditure is contributed by the state government and one-third by the Australian Government.

The VET system was developed under largely different economic and labour market conditions than apply today. Much was designed in the context of higher unemployment and a priority around young people entering the workforce. Conditions have changed and both the client groups and what they need from the system has shifted. The Tasmanian Government has responded with new training structures, and Skills Tasmania aims to make sure we have the appropriate training products, a well-operating training market, and purchasing and funding arrangements that meet the changing requirements and produce the skills mix that best promotes economic and social development. Building capacity in the training system is part of this development package.

We need strategies for what we have to do locally, together with strategies for influencing the national VET system.

The national system impacts on how skills development happens at the local level in a range of ways. Training package³ design, and constraints on how funds are spent are examples. One example of a national process that has substantial local impact is the employment subsidy offered by the Australian Government to apprentices and trainees. The subsidy has been widely criticised as being out of date, not being well-targeted and not producing the most effective outcomes. Training packages that are designed to apply nationally may not exactly suit local requirements.

1.5 The nature of skills shortages

Skills shortages describe a group of labour market and workforce conditions that result in employers not having the skilled staff they need.

They are experienced by businesses that have a requirement for additional or replacement skilled people, or for existing staff to have different skills. Such needs may arise in response to:

- turnover
- retirement
- expanded business activity
- market pressures to decrease costs or increase quality
- the need to introduce new business practices, improved processes and/or new technology
- regulatory and environmental requirements.

Employers seeking new staff can experience few responses to job advertisements, and/or applicants lacking the required skills. Employers can also have difficulty sourcing appropriate training for existing staff.

Shortages impact at the level of the individual business but can be general, local, or firm-specific. They are impacted by individual choice in areas such as part-time work and job preference and shortages are now widespread in many industries across trade, professional, management and service occupations.

³ Training packages are central to the VET system. They are developed by industry and define for specify training organisations the requirements that need to be met to achieve qualifications and competencies that aggregate into qualifications.

The nature of any particular shortage determines the necessary response. Not all skills shortages require a response by government, and many do not require a training response. Skills shortages can be natural labour market phenomena in a period of sustained growth. They generally reflect better outcomes for the community than the opposite situation which is characterised by recession and unemployment. There are however outcomes from the kind of labour mobility that is currently occurring that may cause problems if governments do not respond. This could be the case where industry sectors are starved of skilled new entrants because of higher better conditions in competing sectors. Some sectors will always have difficulty competing at times of labour shortage.

Another risk is the aging workforce and the labour and skills shortages that could suddenly get worse without pre-emptive action by government.

And shortages of people with diploma and certificate IV level skills can be a barrier to businesses making the change to innovation, adopting new technologies and successfully operating in internationally competitive markets.

Importantly, much of the state government's investment in training has been to prevent serious shortages occurring and existing shortages worsening. In a strong economy this process will always trail the labour market to some extent, but the government has been pro-active. Investment in training in Tasmania has increased substantially in recent years. The number of Tasmanians in training has increased from 26,000 in 1997 to 41,800 in 2006. Tasmania has the second highest participation in VET at 12.2% well above 7.7% in 1998 and above the national figure of 11.5%. In 2005 The University of Tasmania had 16,164 enrolments. Despite the growth in VET, national research is showing that the training system is still not producing enough skills, and in many cases it is higher-level VET skills that are particularly needed.

1.6 Using the training system: The client perspective

The clients of the training system – both individuals and employers – are the system's most important stakeholders. More effective and direct connections between clients and training providers, and straightforward access to training opportunities are priorities for reform.

For individuals there have been many pathways to publicly-funded VET including:

- vocational programs in schools and colleges
- work-focused adult and community education programs
- school-based apprenticeships and traineeships
- on- and off-the-job training as part of apprenticeships and traineeships
- accredited training programs run by RTOs including TAFE Tasmania.

To get the best outcomes from public investment in these pathways and to improve participation rates, the government supports people to make the transition from school to work and training. Training and skills development programs have to meet the needs of individuals at all stages of their working lives: those entering the workforce for the first time, those already in the workforce looking to upskill or change career, and those wishing to re-enter the workforce.

The state government has proposed substantial structural change to make VET more relevant and accessible, particularly for young people; and to encourage and support more effective linkages between employers and training.

There remains substantial scope for removing other barriers to participation in skill development, including cost barriers, and to ensure the training market is operating effectively for employers and individuals.

First time workforce entrants

The Tasmanian Government's school-to-work transition strategy *Guaranteeing Futures*⁴ is enabling school leavers to make informed decisions about their careers and to select appropriate further education and training pathways for their chosen career. It connects with the established programs and pathways to work and training.

The recently announced structures are designed to provide students with a broader range of options and pathways, aligned to their learning preferences and goals as ascertained through the pathway planning process during year 8 – 10 of high school. Year 10 leavers will be able to select from a range of pathways in each of the three institutions – TCE in an academy, certificate I to advanced diploma at a polytechnic, and apprenticeships, traineeships, vocational qualifications and skills sets through a training enterprise

These new pathways may go some way to alleviating the widespread concern that many new employees lack the skills to commence work effectively. This concern relates both to technical skills and to general skills such as communication, initiative, work ethic, teamwork and problem solving.

Some job seekers face major barriers to effective workforce participation including low literacy and numeracy skills and language skills. People with a disability face often complex barriers. These people plus groups such as migrants and refugees may need intensive support both prior to and when enrolled in formal training programs.

School leavers can also experience barriers to further education and training, such as cost where there are up-front fees, inability to travel to training and lack of suitable accommodation, and training that ties them into long apprenticeships on a low wage.

Existing workers

Learning on-the-job has long been a major element of skill development. This has taken on a new dimension for employers that are faced with the difficulty of recruiting. Shortages now mean that for many businesses, building on the existing skills in their workforce gives them their best opportunity to acquire the skills they need. Extending on-the job learning to formal VET is a practical option. Those that strive to be 'employers of choice' invest in their workforce and support ongoing skills development.

People do move however and the challenge of career change also generates increasing demand by existing workers for skills development.

The importance of this aspect of skills development has a large impact on how training organisations respond. Recognition of current skills and knowledge and facilitating upskilling become more important and employer demand should drive more of what training providers do and how they do it. Innovative delivery models and a significant component of RPL that allows existing skills to be easily recognised, should be part of the mix.

People aiming to re-enter the workforce

A significant number of people face considerable barriers to re-entering the workforce following prolonged absences. Barriers include low levels of literacy and numeracy, outdated technical skills,

⁴ *Guaranteeing Futures* is the coordinated strategy that supports students in their directions through secondary school and as they make transitions into further study and work

a lack of confidence, and other demands such as family responsibilities. The training system currently aims to meet the needs of these job seekers through targeted programs and support, but the barriers can be substantial and the support expensive.

TAFE Tasmania and other training providers are delivering programs to enable people re-entering the workforce to gain the necessary employability skills, confidence and capacity to participate effectively in the workplace. The training ranges from basic workplace skills, through to technical refresher training and diploma level courses.

The employer perspective

Employers have a variety of roles as principal clients of the VET system. These include the ability to drive improvement and to participate in processes that determine the training products and services that are available from RTOs and by advising governments on how public training funds can be best invested. They also employ apprentices and trainees and support on-the-job learning, provide work experience and work placement opportunities and support school staff to guide students through career choices.

How well employers perform such roles will be impacted by many factors. Skills Tasmania is seeking advice on mechanisms and processes it can influence that can make the industry role more effective.

This could be around:

- how employers can make better use of the training system for developing skills for existing and potential staff
- how they can more easily influence the content of training packages
- how they influence the way government training funds are invested
- how employers create effective partnerships with schools and RTOs
- how the training system can be simpler to understand and use; where regulation can be reduced; and where information can be improved
- how employers can contribute to capacity building in the training system.

A further question readers might like to comment on is what Skills Tasmania can do to build understanding amongst employers of how essential their role is in developing an effective training system, and to encourage them to exercise their influence and benefit from the skills development opportunities that are available.

There is an associated question about the extent to which employers recognise that not all problems have training solutions, but a range of other possible solutions, many of which are in fact within the control of the employer. To what extent do employers invest in better recruitment and retention strategies? To what extent do they invest in job or workforce redesign to get the best skills mix? Do they incorporate skills planning in their business planning? And do they explore cooperative arrangements and partnerships to build their skills base and make training more effective when training *is* the solution?

And why shouldn't the relationship between a business and its RTO be a continuing and holistic service similar to those for other business services such as for accounting or advertising?

Industry generally raises a range of concerns with the current training system, for example:

- a lack of awareness of the emerging needs of industry
- the failure of the school system to produce employable young people
- inflexibility of some training products and the inability to customise training packages
- a need for greater emphasis on workplace-based training and assessment

- training products and their marketing being driven by training organisations and incentives rather than industry needs
- training organisation responsiveness
- the currency of RTO trainer skills.

Industry advice

Skills Tasmania uses industry liaison officers, the purchase of industry advice and industry forums to make the link between industry and training investment planning. Industry liaison officers talk to people in industry and can make the link between what industry needs and what the training system can do. They also let contracts for detailed industry analysis of skills and training needs, and convene industry forums where all parties can discuss problems and explore solutions to skills issues. The effectiveness of these strategies depends on the capacity of the people or groups involved to understand and accurately portray the training needs of industry. The industry liaison role includes ensuring the best information is used.

There are also opportunities for targeted consultation with industry arising out of reforms such as occupational licensing, or projects such as the proposed pulp mill.

One common question is how well industry associations can represent the diverse needs of individuals and businesses. Some are better placed than others due in part to the nature of the industry. Problems can occur for example with small and micro businesses, where non-metropolitan areas predominate, or in highly specialised sectors. Consultation based on supply chains, local or regional industry clusters, or industry skills networks may be more effective than broad industry-wide approaches. The concept of skills ecosystems offers potential to explore new ways to gain industry information and advice.

Community development

Skilled people bring enormous benefit to their community. There are tangible benefits from people participating in the workforce and having the means to take control of their lives. Skilled people build participation in the life of the community and contribute to local community and economic development.

At regional and local levels there are opportunities for community engagement with VET. While VET provision is a recognised and valuable component of many local and regional partnership projects across Australia, here community involvement has the potential to contribute significantly to improving rates of participation in skill development activity. A community model of engagement using workforce development strategies has the potential to make VET pathways more relevant and accessible.

A holistic local emphasis does provide challenges however and the requirements for successful local or regional workforce development strategies – which take account of diverse elements from industry development to health, transport, school education, accommodation and population aging – are complex and necessarily involve all levels of government and several state government agencies.

Skills Tasmania sees the opportunities for VET in the highly decentralised Tasmanian communities, but also the challenges. Stakeholder advice on what Skills Tasmania needs to do to meet those challenges would probably describe a VET system that has strong on-the-ground links with local businesses and regional and industry bodies, and similar links with state and national government agencies and the ability to draw on both. It might also emphasise the importance of local champions; strong leadership and partnerships; a VET system that is accessible and responsive;

training products that fit with local needs and infrastructure, and accommodate a diversity of learning styles; and funding and management arrangements that support these requirements.

1.7 Who pays for training?

Individuals, employers, the Tasmanian Government (both through training funding and as an employer) and the Australian Government all make substantial investments in vocational education and training.

Individuals pay fees either as contributions or full fees, and individual investment in training often includes the cost of foregone wages. In the current labour market people enrolling in a full-time course or starting an apprenticeship are making a decision not to immediately chase well paying jobs.

In addition to the formal VET sector, there is a broad market for training products and services including unaccredited training, vendor training and a range of business development activities.

In 2005, Tasmanian training funding totalled \$93m, of which \$62m was from the Tasmanian Government and \$31m from the Australian Government. The total amount of private (employer and individual) investment is unknown but TAFE Tasmania alone recorded \$10m from full fee-paying students and another \$5m in other fees and charges.

National research on private investment in training, although it is inconclusive suggests that there may be considerably more private investment in accredited training through private training organisations and substantially more investment again in unaccredited training.

The Australian Government also spends through employment subsidies and programs, including skills vouchers under the Skills for the Future initiative.

Funding of trainees and apprentices is around 20% of total VET funding (\$16.6 m in 2005–06).

Skills Tasmania manages the purchase of publicly-funded VET from TAFE Tasmania and other RTOs. There are currently three main purchasing mechanisms:

- **The TAFE Purchase Agreement**
Through this agreement TAFE is funded for the provision of training and assessment services at certificate I to advanced diploma levels. This includes the funding of traditional apprenticeships in the automotive, building and construction, engineering and manufacturing, hairdressing and printing industries.
- **Apprentice and trainee funding**
User Choice⁵ is the program that funds RTOs, including TAFE, to provide training and assessment services to apprentices and trainees. Prices paid by the government to RTOs are set for each qualification in the program. Employers together with their trainees or apprentices select the RTO of their choice for the provision of training.
- **Competitive tendering**
This program, includes the Tasmanian Skills Investment Program and the Skills Equip program and enables training organisations to submit bids to deliver a range of specified VET programs, particularly programs other than full qualifications. The purchase schedule for this program is advertised annually.

⁵ User Choice is the name given to the policy and program for funding apprentices and trainees, based on the provisions for choosing RTOs and negotiating aspects of the training program.

1.8 Current policy and opportunity for change

Governments have generally focused most investment on the entry level end of the training market and on full qualifications. Vocational training in schools is wholly government funded. Beyond school however, pressure has been building over recent years to shift the funding emphasis beyond entry level only and to encompass sets of competencies rather than full qualifications.

The aging population and the skill requirements of new technology contribute to a shift towards the skill development needs of adults and existing workers. At the same time, the state government remains committed to supporting people who are not participating in the workforce through access programs and basic skills training.

The result of current policy has contributed to strong growth in participation in training.

Between September 1998 and March 2006 the number of apprentices and trainees increased from 5595 to 12,800.

Between March 2001 and March 2006 the number of traditional apprenticeships increased from 2200 to 4400.

From 2000 to 2006, the total number of VET students increased from 32,000 to 42,000 and total training effort from 6.0 million hours to 8.2 million hours.

There is an active training market for VET services and government has a role to ensure its effective operation by ensuring the delivery of high quality products and services. Government has a role to implement policies that promote and facilitate increased investment in training and skill development. Government also has a role to ensure the training system operates equitably and has the capacity to alleviate personal, social and economic barriers to participation in work, training and further education.

The ideas canvassed so far lead to significant questions that are explored further in later sections of the paper but are touched on below.

Opportunities for change

The challenge for industry, government and the community generally is to work together to improve the training system to ensure greater responsiveness to clients, relevance to the modern labour market and high quality outcomes. We have an opportunity to explore different ways of delivering products and services or even quite different products.

Innovative projects based on industry partnerships are generating good training outcomes and industry and training partnerships are facilitating local and regional workforce development and building industry capacity. A strong message from national research is that businesses should be forming continuing relationships with training providers in the same way they do with other business services.

The challenge for government is to create an environment that encourages and rewards these partnerships and creates opportunities for them to develop.

There are many players active in the system: state and Commonwealth agencies, industry associations and regional organisations. There is a diversity of programs and initiatives that aim to improve the relevance and responsiveness of the training system. Many of these grow out of government intervention through economic or social policy but many also focus on general failings of the training market.

Another challenge then is to create an environment in which the main market players take greater responsibility for the outcomes.

Developing strategic responses

A common theme that comes through interstate and national reviews of training systems is the alignment of workforce development and skill development to drive improved capacity and responsiveness. Another common feature is the recognition of the need for new approaches to connecting industry organisations and businesses with strategic developments in the training system.

The development of an effective, responsive skills response strategy could consider:

- creating new models for industry ownership of skills development
- ensuring the training market is working at an optimal level
- targeting skill formation and workforce development strategies for specific industries, occupations and regions
- creating new models of business–RTO partnerships
- creating new models of resourcing that are more responsive to the changing workforce and skills demands and that build participation, responsiveness and capacity
- developing strategies to ensure that skills analysis and skill development are an integral component of government economic development initiatives.

The persistence of skills shortages and the demands for business-focused training solutions highlight the need for new approaches to skill formation. In the Tasmanian context there is a demand for both the maintenance of broad-based, quality training and for innovative and targeted initiatives that focus on the emerging needs of industry.

Policy that meets all these new and emerging challenges is a fundamental requirement for success in skilling Tasmania.

Section 2 – VET system challenges

2.1 Workforce skills and industry needs

These include:

- general employability skills
- trade skills
- high level technical and para-professional skills
- contextualised skills
- management skills
- skills to use new technology
- skills that respond to emerging market pressures
- skills for seasonal workers
- skills for part-time and casual work
- workforce re-skilling
- skills in a decentralised workforce
- owner-operator skills.

The VET system is expected to, and purports to, do all these things well and to be a major contributor to workforce development and industry skill needs. There is no doubt that it is succeeding on many levels, but there are questions being asked. The following discusses some of these.

The apprentice system

The apprentice system has served Tasmania very well and will continue to do so in many cases, particularly for young people entering trades. It is arguable, however, that the apprentice/trainee model in its current form may not be the best option in some cases. Skills development under this model is quite different from other VET pathways. The system is highly regulated and involves employment and a training contract. It is a model designed around young people entering the workforce and as such does not necessarily meet the needs of adults, existing workers, and those needing higher level skills. Seasonal and casual workers are another group that are not well served by a model based on continuing employment. There is also evidence that the sometimes lengthy term of a training contract is a barrier to recruiting young people.

The increasing demand for higher level skills presents a challenge where the supervision component, an essential part of a training contract, may not be available for trainees in more senior positions, where these skills are required.

The above suggests the need for alternatives to apprenticeships and traineeships in the trade areas where that model still dominates, as well as new employment-linked pathways in other areas.

Examples of possible reform could include:

- cadetships for new entrants, for combining work and learning for higher level qualifications and para-professional jobs
- institutional pathways for occupations where a training contract is not essential
- rebalancing off-the-job and on-the-job components of training through alternative structures and funding
- alternative wages structures for apprentices, or tax structures that favour people investing in skills

- apprenticeships that better suit the needs of adults with existing skills
- disconnecting traineeships from the full regulatory rigour of the current system
- options that are sensitive to youth choices around short term outcomes.

There is concern that current Commonwealth incentives for employing trainees and apprentices can distort business decisions, and that by favouring the apprentice/trainee pathway they can constitute a barrier to achieving better outcomes through different delivery methods.

TAFE quarantines

The quarantining of a range of training to TAFE Tasmania is sometimes criticised. Current policy is that TAFE Tasmania is the sole publicly-funded registered training organisation for designated apprentice and trainee qualifications in agriculture, automotive, building and construction, furniture, and metal trades.

The reason for introducing the policy was to ensure there was a well-resourced, viable, high quality and continuing training service for all of Tasmania that would support the ability of any employer and potential employee to access training that required substantial infrastructure and expense. It was believed that there was a substantial risk of market failure with competing suppliers. To date the policy has served its purpose and Tasmania has a very good record in meeting demand for apprentice and trainee training. In addition national employer satisfaction surveys show Tasmanian employers have generally higher regard for apprenticeship and traineeship training than their interstate counterparts.

It has however been argued, particularly by some industry bodies, that opening up the market will achieve the same result and possibly improve the level of service.

Group training

Another feature of employment-linked training is group training. Group training was a major and very successful initiative introduced largely to counter the trend to outsourcing technical services during the 1980s. This outsourcing resulted in fewer large employers of trades apprentices that were able to carry large numbers through the whole period of training and many more small businesses that had difficulty employing apprentices from contract to contract.

Group training has been successful in providing continuity in apprenticeships but in some areas there is evidence that the market is changing and that this may suggest the approach to group training may require some modification to maintain its valuable role.

The role of employers in training

The essential role that employers play is not always well understood. The VET system requires active participation by employers in several ways. Employment is an essential component of apprenticeships and traineeships. Employers have to employ apprentices or trainees to trigger the training and associated government funding.

There have to be employers providing jobs in order for training programs to be effective. If governments try to anticipate skills needs and fund training beyond the level required in the labour market, the result can be people with newly acquired skills and no appropriate local employment opportunities. The outcome can be people moving to where the jobs are, which may be interstate.

Employers are essential to the training system and in addition have the ability to mitigate many of the impacts of skills shortages themselves. In a time of shortage, if the employer's workforce turnover is high they will be looking more often for replacement and will be impacted more by shortage and if employers rely on recruiting skilled people rather than developing their own staff

they will be impacted more by shortages. Reducing staff turnover and training existing staff are obvious strategies for individual employers.

Employers arguably have as much obligation as government to invest in training their staff; employers also have a major role in workforce development strategies where there is considerable potential benefit to be gained from partnerships with training providers.

The diverse market for skills

The broad role of VET discussed above is very hard to live up to when it comes to providing the full range of services to people all over the state. Just how well the VET system meets the diverse range of needs is often discussed. There is a fundamental question of whether the emphasis should be on skilling individuals to work wherever they like and to move around with skills that are common to a broad group of employers across Australia; or conversely to meet very local business skills needs to the extent of contextualising training to individual businesses.

for achieving different goals, employment-specific outcomes or more generally applicable skills.

We might still ask the question – how good can a system that is designed around a national fit be in meeting the immediate skills needs of a small niche market business that may require people to have a mixed set of skills? In Tasmania it is not uncommon for specialist manufacturers to need a combination of electrical, electronics, IT and communications skills or for tourism operators a mix of tour guide, hospitality and boat operator skills. How well can a system designed around qualifications meet these complex needs or provide the 'short, sharp hit' of specialised skills so often required?

There is a challenge to improve the way the system generates the full spectrum of skills from basic participation and general employability skills, through to foundation technical and operational skills and higher level skills including associate professional, managerial and supervisory skills.

These considerations lead into analysis of what skills development the government should be funding. Should it only fund accredited VET? Should it only fund general entry level training? National research has strongly supported an increased focus on skills above certificate III to provide skills for the modern economy. To what extent should government funding follow this demand upwards? These matters are further discussed in Section 3.

Employability skills

Employability skills are increasingly being emphasised by employers, even to the extent of employers saying to government, 'You look after the employability skills and we'll look after the technical'. Given this strong emphasis on skills that enable young people in particular to make the transition into the workforce as job-ready, customer-focused, team-oriented, self-motivated problem solvers, how successful have schools and colleges, universities, TAFE and other RTOs been in producing this range of competencies in young people? Are the expectations too high and should employers be doing more? Or is this really something that the education and training system has to take much more seriously?

What should the VET system do to better contribute to workforce skills and meet industry demand for quality, relevance, responsiveness, value and accessibility for all their skill needs?

2.2 Individuals and communities

How should the VET system:

- maximise participation by individuals in skills development
- meet individual learning needs
- cater for generational differences in learning styles and expectations
- meet the needs both of workforce entrants and adults
- cater for frequent career change
- respond to the challenges of an aging population and other demographic changes
- reach all socioeconomic groups, all people that need skills, and all segments of the population
- contribute to social and cultural development?

The VET system is expected to maximise participation by individuals that seek or should be seeking skill development for a variety of reasons and in a variety of ways.

Although participation in training in Tasmania is solid, there is still unmet demand for training services from the public training system, and there are many people who would benefit from training who are not accessing the training system. There are skills shortages, people who are unemployed and under-employed and people without the skills needed to get into work.

What are the barriers? What stops demand for skills translating to demand for training? To what extent are the costs, distance, complexity, content, quality or timing of training stopping people getting the skills they need? To what extent is the preparedness of people to start or return to study a barrier? Do people know what is available?

What are the solutions? What is the role of technology? What solutions can come from industry or communities?

Costs

The cost to individuals of training will usually include a fee (often capped, and/or with concessions and exemptions) as a contribution towards direct training costs. Costs can also include transport, often private, to get to training venues. It can include the costs of child care, or the costs of alternative care arrangements for people with other carer responsibilities. It can include the cost of not working.

Where training opportunities are linked to jobs in areas outside major cities – as is the case with many entry level jobs in the tourism, wine, agriculture, mining, aquaculture and some areas of manufacturing industries – the costs can escalate. Transport and accommodation can quickly become substantial barriers.

Is simply not having a job a barrier to training? Does the training system have an inherent bias toward people already on the road to successful careers?

Can communities play a greater role in providing the opportunities and infrastructure to enable local people to access skill development more easily? What opportunities are there for greater use of existing networks, businesses, local groups, facilities and technology to bring training opportunities closer to people in all parts of the state, particularly where access to specialist training facilities is not essential?

Generational and career differences

Individual clients of the training system increasingly represent a broad age range. People at various stages of life and career need new skills. People entering or re-entering the workforce and people

that need to increase their skills for promotion or career change typically need to access training. The training system is expected to be able to meet all the diverse learning and training needs of people of all ages and stages of career.

People of different generations have different learning needs and styles, and different motivations and attitudes to what is important. Technology can be of obvious benefit to the training system, both in keeping costs down and improving responsiveness; however does technology also create some barriers? Are there better ways to use technology or to enable people to access services such as online services more easily?

People in jobs have particular requirements. Immediate relevance to their work and time constraints will mean that people in work will be much more interested in getting exactly what they want and no more, when and how they want it. This might mean short courses that deliver particular skills, rather than full qualifications. Is this what RTOs are offering? What are the barriers to RTOs being sufficiently responsive? Do existing workers have sufficient access to skills recognition?

People wishing to re-enter the workforce may have a separate set of requirements altogether, ranging from very basic enabling courses to skills upgrades or refresher courses, to full qualifications to support new careers. They may have particular barriers such as family responsibilities that limit their time and mobility, and they may need to be able to jump at new work opportunities. How well does the training system cater for this group?

Communities

Communities are important stakeholders in the training system. Has the training system developed strong enough on-the-ground links with local businesses, and regional and community bodies? Is it accessible, agile and responsive to specific local needs? Is it making use of local resources such as infrastructure, key people and other systems of learning?

How should the VET system better contribute to the learning needs of individuals and communities?

2.3 How should we pay?

How do we:

- ensure that the volume of training taking place will support the necessary levels of skill development?
- achieve an optimal balance between public, employer and individual funding?
- stimulate investment in training by employers and individuals?
- create a training market that is efficient, well-informed and which delivers the products clients want?
- promote strategic engagement by business and the community and develop mechanisms to effectively engage small and medium businesses?
- facilitate government intervention where necessary to achieve particular economic or social goals?
- ensure government funds essential training?

- provide support for community models of local skills development built around partnerships between employers, local government, the community and training organisations?
- enable skills development to work seamlessly alongside other workforce development strategies?

Training can be paid for by individuals, employers, the Tasmanian Government (both in general training funding and as an employer) and in specific cases by the Australian Government. In addition many employers of trainees and apprentices are entitled to employment subsidies from the Australian Government and other sources and use these to fund training. Employers and individuals make substantial investments in vocational education and training and as mentioned earlier, there is a substantial market for unaccredited training.

Investment in activity other than the direct delivery of training can also be beneficial when it leads to further investment and increased participation by individuals and employers. Such investment can range from assisting people to start formal training, to funding brokerage arrangements or other ways of increasing the effectiveness of partnerships between clients and training bodies.

The investment in the training system

In 2005, training in Tasmania was funded to the extent of \$93m. TAFE Tasmania alone recorded \$10m from full fee paying clients and another \$5m in fees and charges. As mentioned research, though inconclusive, shows that there is considerable private investment in accredited training through private training organisations and substantially more investment again in unaccredited training.

An immediate question is: why the apparently substantial amount of unaccredited training? Is this an indicator of a failure in the accredited system or is it simply a case of different spaces in the market? And if there is demand for skills outside the accredited system, is there a role for government in funding some of it?

A more fundamental question is: who is going to pay for all the skill development that will be necessary over the next 20 or so years. A fact of government finances with massive pressures from an aging population and associated health costs is that governments alone are unlikely to foot the total bill. Individuals and employers will have to invest in their skills and this leads to the question: which components should each of government, employers and individuals pay for?

If it is believed that employers should be taking a more active role in developing workforce skills, is there a greater role for government in encouraging employers to engage more by stimulating demand through incentives or tax concessions or other measures such as brokerage that will make it easier for employers to embrace training.

Who pays, public and private benefit?

There are links between the skills people have acquired and their income levels. The returns from investment in education and training are substantial for the community, for employers and for individuals although the returns do vary considerably according to people's starting points, their choice of training, the state of the labour market and the initial outlay. Training in the growth trades areas would have produced great returns over recent years for relatively little outlay by individuals. Enrolled nurses on the other hand may have had to pay thousands of dollars to get a basic entry qualification but the return to the community for relatively little investment is substantial.

There is a strong case for noting the difference between public and private benefit and for this to inform where investment should come from. It has been accepted that the strongest public benefit

comes from entry level training, such as apprenticeships and traineeships so that is where the government emphasis should be; and that the higher up the skills ladder people progress the greater the private benefit so the greater the individual or employer investment should be. This distinction on qualification levels may not now however be as clear as once assumed.

It is also accepted that there is strong public benefit – and this is where government has the principal responsibility – in ensuring groups that face barriers to skills development and employment, such as people with a disability, have access to appropriate programs that help them make the transition into the workforce.

Market mechanisms and the case for intervening

There is also a case for a strong training market that would allow the better RTOs to benefit from meeting client needs and would drive the not-so-good ones to be better or withdraw. This scenario assumes that individuals and employers are willing to pay for the training they think will benefit them and that the government's role is to ensure the training market is working well by making sure the nationally recognised training products are right for the local market, requiring that RTOs provide market information that allows clients to make informed decisions, and generally ensuring clients have the market power needed to influence outcomes.

A well-operating training market will stimulate uptake of training but are other measures also required to push demand to the levels that economic prosperity requires? There are inequalities between how the up-front costs of VET and higher education courses can be paid for. Specially designed income-contingent loans and other forms of fee assistance are available to university students. If VET students need money for up-front fees the choice of loans has until recently been restricted to the commercial variety, such as credit cards. The extension of the Australian Government's higher education FEE-HELP scheme to VET diploma courses that provide credit towards degree programs will help a small number of students.

Governments can intervene in a range of indirect ways to create opportunities for employers to take advantage of training that they otherwise may not. For example there can be powerful synergies from regional groupings that may involve communities, local government, groups of local employers and training bodies but these often need stimulus from government in the form of brokers or facilities to make them happen. It may be that governments should be injecting training funds directly into such groups.

The consequences of two levels of government in the market

State governments have responsibility for training and are the principal purchasers of training services. To the extent the Australian Government has funded training it has generally been through the states. There is however a growing willingness on the part of the Australian Government to intervene and not necessarily to the best effect. It is legitimate now to ask the question whether it is efficient for two levels of government to be active in the training market.

How should we pay for the training required to achieve the higher productivity levels?

2.4 Benefits from the education sectors working cooperatively

How do we make sure people are able to:

- build on skills and knowledge developed through adult and community education
- transition into work with basic employability skills

- easily get credit for VET qualifications at university?

Entry-level employability skills

Employers have been critical of the ability of school leavers to operate effectively and be ready to undertake learning in the workplace, because of underdeveloped employability skills. The new arrangements for post-Year 10 education and training should make a substantial difference. But to what extent should the skills that allow people to be workplace-ready start being developed during compulsory schooling?

The Community Knowledge Network and skill development

Not everybody is ready for the demands of a VET course. The Department of Education's newly-formed Community Knowledge Network – comprising Adult Education Tasmania, the online access centres and branch libraries – is well positioned to be an effective bridge for people that are not ready to embark on serious formal training.

TAFE also has an extensive role in delivering enabling programs to this client group. What are the optimal arrangements for getting best value from both organisations?

Neighbourhood houses already offer some training and are a strong community resource. Partnerships currently exist between the houses and RTOs but is there an opportunity to build on the existing position and the strength of their grassroots contact with clients to provide services in partnership with education and training bodies and employers?

Links between VET and higher education

This covers:

- articulation arrangements between TAFE Tasmania and the University of Tasmania
- reverse articulation (university to TAFE)
- higher education's role in skills development

It is arguable that innovation will be critical to achieving the levels of productivity the state needs. How critical are the links between the education and training sectors to achieving the right degree of innovation?

There are substantial articulation arrangements in place between TAFE Tasmania and the university, not across the board and of varying value to the student. How effective are these and what is the impact of the very different regulations, accountability processes and practices governing VET and higher education?

There is a significant enrolment of university graduates in VET. Is this a market that the VET system should build on? Does it mean there is an opportunity for closer relationships and more formal links in the skills development process? Is there a role for the VET sector as a supplier of 'high-level employability skills' in conjunction with the university?

To what extent does the VET training package system, wherein so much skills acquisition is directly related to the workplace, work against such a role?

Are there more benefits to be obtained from the education sectors working cooperatively?

Is there a greater role for dual qualifications or greater opportunity for VET providers to offer high-level vocational skills to university graduates?

Section 3 – Investing in skills

3.1 Investing in skills – introduction

This section highlights and introduces discussion on ideas for how we invest in VET.

There has been a rigidity around resourcing VET that may need to change to achieve the necessary client focus, generate sufficient investment and introduce innovation into delivery systems.

Investing is deliberately chosen in the title of this section to emphasise that expenditure that results in increased skills, whether it be by governments, communities, businesses or individuals is an investment in the future.

There is clear evidence that such expenditure provides a return in a variety of ways. Skills that enable greater participation in the workforce provide benefits across the board and the investment in skills is an important component in the development of Tasmania's human capital.

It is essential for the ongoing economic growth and development of the state.

In posing the questions below, Skills Tasmania is noting that the investment can take a variety of forms. It covers what might have been called funding, purchasing or resourcing. It is not the sole responsibility of government but rather a shared responsibility of government, industry, and individual citizens.

The intention here is to pose options for facilitating this investment in addition to the current programs whereby training is purchased by the Tasmanian Government⁶. Currently the government purchases training on behalf of clients through a purchase agreement with TAFE Tasmania, User Choice for apprentice and trainee funding, and the competitive tendering programs TasSkills and Skills Equip that enable RTOs to tender for training programs developed in response to immediate client needs.

There is obviously a need for purchasing arrangements to be fair, competitive, open and transparent in accordance with Treasury rules. But onerous constraints exist, that impact on purchasing and the manner in which the programs are rolled out. These include the Commonwealth/state funding agreement,

These agreements have defined each government's investment and the restrictions around those investments. In recent agreements the Commonwealth has put conditions around its participation that have restricted the way all money can be spent. The major impact has been to force an emphasis on purchasing hours of training, rather than encouraging other ways of achieving skills development outcomes.

3.2 A training culture within industry?

Many industry sectors such as automotive or building and construction have a strong tradition of training. There are others with no history of formal training. There are many reasons but they

⁶ The Tasmanian Government invests in training by purchasing training from RTOs on behalf of individual and industry clients.

generally relate to characteristics of the businesses, a lack of relevant and appropriate training resources or employment practices that do not match the training system structures or regulations, such as those applying to apprentices or trainees.

With the development of national training packages and supporting resources the framework for the provision of training in most sectors is now available. In spite of this, there has been a limited uptake of training in some sectors.

In industries where there is a strong training culture there are often established partnerships, both formal and informal, between the industry and RTOs. They often benefit from being part of the shared responsibilities for skills development and demonstrate that the establishment of partnering arrangements between the major stakeholders can be of significant benefit in fostering the development of a training culture and facilitating skills development activities.

How should we develop and grow a training culture more broadly within industries?

If it is accepted that the development of the state's skills base is a partnership with shared responsibility, who needs to be part of the partnerships?

What should each partner's role be?

How could the viability and success of a partnership be measured?

3.3 Investing in skills development outcomes

Until now, the focus of government investment in training has been on the direct funding of training and supporting programs.

There may be other activities that could be paid for which, while not directly focusing on training delivery, can still have an impact on skills development. A simple example of this is funding the recognition of prior learning whereby a person's skills gained through informal learning and life experience are assessed, recognised and certificated.

There are a range of other types of possibilities, for example:

The Workforce Development Fund initiative paid for assistance with business planning that incorporated skill and training plans.

Government pays for resources such as SkillsLink that provide information to support employers and learners.

Would skills development improve from investing in measures to improve completion rates? This could include measures that increased the access and support for people in training and made it more likely that they complete.

Government could invest more in making the training market work more effectively for clients, from enforcing the availability of better client information to investing in expert intermediaries to guide clients and build better partnerships between clients and RTOs, and to monitoring outcomes for clients.

There may be opportunities for more joint action with other government agencies where training funds are a component of an overall investment package.

Are there other activities which would have a beneficial impact on Tasmania's skills base that could be paid for by Skills Tasmania?

If so, what are they?

How would they best be funded?

What is the likely level of demand for each?

3.4 Unaccredited training

Governments currently pay for nationally recognised accredited training and the associated assessment and certification. Constraints imposed under Commonwealth/state funding agreements have made it very difficult to fund anything other than recognised training provided by RTOs. However, this could change and it may be possible to be more innovative and responsive in government investment in skill development.

Experience gained through the management of the Workforce Development Fund, a joint initiative managed by the departments of Education and Economic Development, has shown that many people and businesses, while wishing to acquire skills are not overly concerned with assessment or certification of the skills gained through the program.

This has also been illustrated in some programs purchased through various competitive tendering programs where participants enrolled to undertake the program but failed to undertake the assessment tasks because they didn't have a need for any formal recognition of their training. This was especially noticeable with programs directed towards volunteer workers.

Should there be the capacity to fund unaccredited, non-assessed training?

What condition should apply?

3.5 A preferred provider register

There have been times when a skills development need for an industry, business or a community has emerged unexpectedly and has been urgent. This can arise from a variety of factors, such as a new industry, new technology, plant closure or major development.

Within the requirements of a fair, competitive and transparent purchasing process, would it be useful to establish a register of training providers that meet certain criteria, to be offered contracts to provide just-in-time training responses?

3.6 Skills clusters

Skills sets (defined sets of competencies required by industry) are being formalised to some extent; should we maintain the ability to package and invest in any skills cluster that a client needs?

There may be times when a business or individual needs to acquire a set of skills that is not reflected in a standard 'package' such as a qualification or accredited course or training program, or now a standard skill set.

There are examples of specialist occupations that require skills which consist of a set of related units of competency drawn from different qualifications.

To what extent should the government fund mixed sets of competencies?

3.7 Investing in organisations or directly in individuals?

At present virtually all government investment in training delivery is through RTOs. Government is effectively purchasing training on behalf of clients. Skills Tasmania is interested in investigating alternatives to this model.

There are potential benefits. For example transferring market power to the client by allowing client organisations to tender for training funds, perhaps in partnership with RTOs, could help ensure that clients get what they want from the training system as opposed to taking what the system offers. This should drive greater responsiveness by RTOs and achieve the additional benefit of clients combining public money with their own, so generating greater overall investment in skills.

There may be further potential benefit in that such a model could lead to better outcomes and better accountability and value for money. This is largely because the client group is likely to have a high level of ownership and commitment to appropriate targeting of the training to appropriate people, and to successful completion of any program.

In these situations the client could most likely be from a representative grouping of businesses or clients, such as an industry body, a regional body or a client body for say indigenous people or people with a disability.

What is the potential for funding training via the client rather than the RTO?

3.8 Investing in qualifications according to their value

Many states weight the prices, or contributions, paid for qualifications according to a defined set of criteria. These include economic importance, development priorities and regional access. The need to do this has been influenced by a need to ration scarce resources and manage demand. So far Tasmania has not adopted this practice but with increasing demand for training and a need to

ensure the training system contributes to meeting state economic policy objectives by focusing effort on areas that provide best value for the community, there is increasing pressure for it to happen.

What would be the most important criteria for weighting the 'price' put on a qualification?

3.9 Government investment as a lever for client investment

There are multiple responsibilities for skills development and there are multiple beneficiaries. However, in the public system, the majority of the outlay is borne by the taxpayers with a small contribution often by participating students or their employers. There is of course a short-term opportunity cost borne by people who are in training rather than working, and even by trainees and apprentices who forego a full wage to train. There are also costs to employers who invest time in the on-the-job part of apprentice and trainee training, and carrying people through less productive times.

It is fair to say however that one of the emerging threats of public finances is that taxes could struggle to keep up with the spending needs of the community. Training is unlikely to escape the effects yet we are told that there is a substantial national need for increased investment in VET, particularly in higher level qualifications and here in Tasmania better skills will be essential to drive productivity increases.

Some states mandate compulsory contributions from all clients accessing publicly-funded training. The Tasmanian Government position to date has been to mandate a fee contribution for students enrolled at TAFE Tasmania but has also provided for fee exemptions for people in receipt of Centrelink income support.

Client contributions may also be required from time to time for certain programs funded through the competitive tendering programs.

This paper discusses the benefits of partnerships and the need to develop a training culture more broadly in industry. A greater ownership of skills outcomes and an awareness of benefits may encourage more employers and individuals to invest in training but it is arguable that this is not necessarily made easy by existing arrangements.

Could we be investing government money in cleverer ways that make it easier for both employers and individuals to make a contribution?

Under what circumstances are employers and individuals most likely to invest in skill development?

What opportunities does this provide for shared investment?

Levies on building work are used to contribute to skills development in the building industry; should such levies be extended to any other areas?

University students, and now a small number of VET students have access to government-subsidised loans and can therefore avoid up-front fees and commercial loans; is there scope to extend these?

Could the partnerships necessary for effective skills development more explicitly make use of shared investment arrangements?

3.10 Alternative models for skills acquisition

A model that was effective in the acquisition of higher level skills of a para-professional nature (i.e. diploma and advanced diploma) but has gone out of favour over the past 30 years is the cadetship model.

Cadetships were seen to be an ideal vehicle to provide the higher level technical skills where the knowledge and skills gained from the training institution were reinforced through practical on-the-job experience. The cadet would attend classes either in paid work time or after hours, depending on the arrangements with the employer paying for or subsidising the cost of the training. When not in class, either during the normal working week or holiday periods (depending on the model chosen) the cadet would be engaged in paid employment with the enterprise.

Current research suggests a growing need to develop higher level technical skills at diploma and advanced diploma level. In order to achieve this aim several states and territories are considering options to develop and promote a cadetship model of skills development in their jurisdictions. A particular focus has been to provide a model that would facilitate the progression of graduates into higher education.

A basic cadetship model is being implemented in Tasmania. However there are questions that need to be considered to extend it.

Are cadetships a viable skills formation model for the 21st century?

If so, what should be the relationship between the skills formation process and the employment arrangement?

Should they be regulated in the same way as apprenticeships and traineeships?

What qualifications and occupations would be most suitable for the implementation of cadetships?

How much articulation with the higher education sector should there be (it is currently restricted)?

Should employment arrangements be mandated?

Are there other skill acquisition models that could be considered?

3.11 The role of government incentives

The payment of incentives as employment subsidies to employers has been used by the Commonwealth and the state as a vehicle to stimulate demand for apprenticeships and traineeships. These have contributed to the rapid growth in this sector of the training market. The Commonwealth subsidy has recently been extended to certain higher level skill areas where there are skills shortages. The state subsidy aimed at small business was discontinued as it was seen as being ineffective.

The employment subsidies have the effect of reducing the cost to the employer of hiring an apprentice or trainee, and so stimulate demand for training. They are relatively untargeted and may have some sub-optimal consequences through impacting on the choices clients make by making some traineeships more attractive than they might otherwise be.

Incentives could be paid in other ways.

If incentives were thought necessary to stimulate the uptake of higher level qualifications, who should get the subsidy: the person enrolling, the RTO or the employer where there is one?

What qualifications should attract the payment?

What eligibility criteria should apply?

What size would the incentive need to be to be effective?

3.12 Additional investment to overcome barriers

Many people have to overcome any of a range of barriers in order to access skills development opportunities. As noted earlier in this paper, barriers can include low levels of language, numeracy and/or literacy skills, geographical isolation, physical disabilities etc.

Reducing barriers will inevitably involve additional cost that could be factored into the price training is tendered at. The barriers however can be extensive in their range and this raises the question as to what is a legitimate addition to training costs. How far should we go in funding costs for travel, child care, personal support, interpretation, classroom support, and communication assistance, for example?

How should we build support into training investment for people with barriers to learning (that arise from having a disability or low literacy skills for example)?

What are the most significant barriers people face in accessing skill development?

What are the best options for tackling these barriers with public training funds?

3.13 Multi-year contracts for training

The Tasmanian government has started piloting multi-year contracts for competitively tendered training. In some areas of training there are clear benefits from an RTO having the confidence to establish expertise, systems and resources for a longer period than a single year.

This would mean however that fewer contracts would be let, with possibly fewer RTOs having opportunity to be successful.

Would the benefits of multi-year contracts outweigh any reduction in annual competition?

Section 4 – Workforce development

4.1 Workforce development – introduction

The objective of this section is to highlight and introduce discussion on the workforce development theme that is driving much of the development in VET around Australia. Several states are pursuing workforce development strategies and this paper quotes directly from some of their documentation.

Skill shortages and labour shortages arise from complex interactions between a number of factors: demographic characteristics of industries and occupations and the community; the level of business activity, investment and economic growth; recruitment and retention strategies of business; and changing patterns of skills required by industries and enterprises. At the same time economic growth and ongoing technological change are creating a demand for a wider range of skills and increasingly for higher-level skills.

Research suggests that the skills shortages are more than just a product of inadequate or insufficient training. What is labelled as skill shortages may also reflect:

- outdated perceptions of an industry or occupation (e.g. as being hard, dirty, physical, boring)
- lack of awareness about career opportunities and pathways
- the nature of the work and the wages and conditions that apply
- changing lifestyles and generational aspirations
- the location of jobs.

Reviews of the training systems in other states have determined that there is a need to align workforce development and skills formation to support economic growth, productivity and social cohesion.

Initiatives that prevent or respond to skill shortages need to be aligned to the industry need for competitiveness in the global marketplace, as well as the capacity of enterprises to attract and retain skilled workers in a tight labour market with an aging workforce. And work organisation, job design and career pathways will have to accommodate employee demands for a reasonable work/life balance.

It is also apparent that each industry and each region will benefit from developing and implementing their own solutions based on a comprehensive understanding of the issues and a shared commitment to an integrated approach.

4.2 A new framework for skills formation

Workforce development can be broadly defined as the totality of activities by government, employers and communities acting in partnership that build the skills, knowledge and opportunities people have to realise their potential and participate effectively in the workforce.

Workforce development situates skills formation within a broader context of a dynamic labour market, complex interactions of businesses and investment decisions, and considerations of how work is organised and rewarded.

Workforce development is a shared responsibility of individuals, employers, training providers, governments and other organisations.

A workforce development strategy needs to be integrated with effective industry engagement that enables industry and individual businesses to identify their needs and take ownership of their workforce development solutions.

Skills Ecosystems

Skill Ecosystems was the name given to the first comprehensive approach using this type of model. It was developed in New South Wales and has been piloted nationally over recent years. The following information is based on information from the NSW Department of Education, Science and Training's Skill Ecosystems website.

Nationally the skill ecosystem program, a joint state - federal program, is exploring a new and dynamic framework for skills policy.

Skill ecosystems are described as concentrations of workforce skills and knowledge in an industry or a region, shaped by:

- business strategy – the product and service specifications, degree of export orientation and so on
- the business environment – competitive pressures, inter-firm relationships, access to finance and product markets
- capital investment and the technology in use
- the role of government and industry regulators
- modes of engaging labour and the operation of labour markets
- production processes and the way work is organised
- the quality of education and training and its ability meet industry's and workers' developmental needs.

Each skill ecosystem is unique and reflects the interaction of these factors. Where many factors reinforce each other, high skill ecosystems emerge and can make a big difference to prosperity and employment in a region.

The program funds VET–industry partnership projects that focus on building workforce capacity and the utilisation of skills at work. As well as considering training and skill development needs, the projects consider aspects of the workplace and industry environment that influence the development, application and replenishment of skills.

Funded projects involve multi-faceted interventions that may involve changes to work organisation, employment arrangements and business strategy as well as training design and delivery. In other words, projects seek to reinforce and sustain the whole 'skill ecosystem' – not just training

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For more information visit the website: www.skillecosystem.net.

Recent Developments in Queensland

As part of the Queensland Skills Plan, the Queensland Department of Education, Training and the Arts has introduced a range of new engagement strategies to better partner with industries on meeting their skilling needs. The following is taken from published Queensland Government information.

Skills formation strategies provide a framework for industries and communities to work with each other, the Queensland Government and other stakeholders to analyse and tackle the causes of skills shortages.

The network of agencies whose activities impact on an industry or community is referred to as an industry or community ecosystem. The impacts on the ecosystem may arise from activity in government agencies, unions, industry associations, supply chains, contractors, educational providers, enterprises, communities, community groups as well as operators in the business environment.

To effectively tackle skills shortages, skills formation strategies develop relationships and networks between these groups to find the real causes of skills shortages and develop appropriate solutions. The Department of Education, Training and the Arts works with a number of Queensland's industries and communities to respond to their skilling needs through the development of skills formation strategies.

The availability of skilled workers and sound workforce management practices are vital to the long-term success and development of industries and communities. Planning for skilling needs to be long-term to enable communities and industries to manage fluctuations of worker supply. While training forms a key part of the solution, skills shortages arise from a complex set of circumstances.

The Queensland Government is aiming to ensure its investment in education and training supports sustainability and growth through industry and community collaboration on issues that influence the effectiveness of skill formation and through the development of industry-led mechanisms for skill formation.

For more information: go to

http://www.trainandemploy.qld.gov.au/resources/about_us/pdf/Skills_formation_strategies.pdf

Recent Developments in South Australia

Workforce development is central to South Australia's strategic approach to skill formation. The following is taken from published South Australian Government information.

The Workforce Development Strategy – Better Skills, Better Work, Better State – sets out the economic and social benefits to be gained from seeing workforce development as a shared responsibility of Government, industry, community and educational institutions.

Better Skills, Better Work, Better State envisages an efficient highly skilled workforce that supports a globally competitive economy and a socially inclusive community. The strategy comprises three interrelated priorities:

- creating a high skill economy
- access to quality employment and
- shaping our future through better workforce planning.

To ensure South Australia's regions continue to prosper and grow in an internationally competitive environment and people who face barriers in the labour market are given opportunities, a coordinated approach – South Australia Works in the Regions – was launched in

December 2003 as a 10-year strategy. The program simultaneously targets the needs of individual regions in the shorter term while strengthening their capacity to address employment and training issues in the longer term.

Seventeen Employment and Skills Formation Networks have been established across the State. Since their establishment in the first half of 2004, the Networks have consolidated their membership, strengthened their role and gained considerable experience in identifying and addressing local employment and skill needs. These Networks have representation from community, industry, government, and education and training organisations.

The role of the Networks is critical to the development of new partnerships between government, industry and community and to providing regional communities with the capacity to identify and respond to their current and emerging employment and training needs.

South Australia Works in the Regions helps regional organisations and Networks to identify their region's training and employment needs and to address them in ways appropriate to each region. The key objectives of the program are:

- fostering leadership and capacity building to support the development, implementation, monitoring and review of the program
- recognising regional diversity and commonalities
- continuously improving the development, delivery, implementation, monitoring and review of the program
- developing and maintaining productive working relationships and partnerships.

<http://www.saworks.sa.gov.au/pages/saworks/strategicplan/>

4.3 What can Tasmania learn from other states?

Earlier sections in this discussion paper have considered the challenges for VET and have suggested where a workforce development style of response could prove to be a valuable part of solutions.

The workforce development options are characterised by partnerships and synergies that build resources and outcomes that go beyond those in the more traditional compartmentalised approaches.

They will include government agencies working together, businesses and industries working together within regions, and all working with communities and education and training bodies to get good outcomes at a local level.

There are innovative ways of injecting government investment and of leveraging client investment and there are specialist intermediaries that help build links between the various partners.

In this type of model RTOs need to be more responsive and innovative than in the past and have to be more forthcoming and proactive with information that enables clients to understand the possibilities and make decisions about directions.

It suggests scope for governments (state and Commonwealth) to be bolder in how they think about investing in skills, perhaps less controlling in what they do and more facilitating of good outcomes. And less concerned with inputs, regulation and second guessing the training market and

more concerned with quality, results and value for money. And it highlights the importance of local leadership.

Tasmania has particular issues that would influence how such a model could be implemented. We have a broad range of industry, dispersed around the state and we can be very strongly impacted by individual events such as plant closures or new projects. The impacts of closure of vegetable processing plants and a proposal for a new pulp mill are evidence of the magnitude of individual events.

While the impact of big business is clear, most economic activity depends on small businesses.

We have a small population, also dispersed; it is aging; it has low labour force participation and low skill levels. The labour market is tight but many people are not working and significant numbers are underemployed.

Technology and the demands of internationally competitive markets for value for money, and high quality products and services mean that new skills are necessary in the Tasmanian workforce.

Questions for consideration:

Recent research and current work in other states suggest that our approach to skill development has to be integrated with other workforce development and participation strategies.

What scope is there in Tasmania for the kind of workforce development approaches being pursued in some other states?

Are we going to get the benefits that are being suggested?

Can we run a market model for training and a community model for skill development alongside each other?

Do we need any special approaches to make the workforce development solutions especially accessible to small business?

Responses

Many questions have been posed throughout this paper in the hope that they will prompt your consideration of the issues and your very valuable input to this process.

All those with an interest are invited to:

Comment on the questions, ideas and assumptions in this paper; and
Suggest ways in which any or all stakeholders can better meet the goal of Skilling Tasmania

Please forward your response:

By post to:- Skilling Tasmania Policy
Skills Tasmania
GPO Box 169
Hobart, 7001

Try a quick and easy response via
our online feedback form:

<http://www.skills.tas.gov.au/skilling-tasmania>

Or by email to:- skillingtasmania@skills.tas.gov.au

The closing date for responses is December 14th 2007.

Skilling Tasmania Forums –

Come and discuss these issues with colleagues and members of Skills Tasmania.

Hobart	Training Forum (Statewide) 30 th October 2007 Wrest Point Conference Centre Sandy Bay	10:30am – 3pm Morning tea and lunch provided
	Industry Forum 31 st October 2007 Wrest Point Conference Centre Sandy Bay	8:30am – 1:30pm Morning tea and lunch provided
Launceston	Industry Forum 22 nd November 2007 Queen Victoria Museum and Art Gallery Inveresk Cultural Precinct, Launceston	8:30am – 1:30pm Morning tea and lunch provided
Burnie	Industry Forum 13 th November 2007 Bayviews Restaurant (on the beach) North Terrace, Burnie	10:30am – 3pm Morning tea and lunch provided

RSVP to these forums is essential – please contact Bianca Davies on (03)6233 7235

Have some questions about this discussion paper or want to know more about the Skilling Tasmania Policy Process?

Please contact Leanne McLean on (03) 6233 3304 or email: leanne.mclean@skills.tas.gov.au