



INQUIRY INTO THE PERCEPTIONS AND STATUS OF VOCATIONAL EDUCATION AND TRAINING

INTRODUCTION

Business NSW welcomes the opportunity to provide a submission to the *Inquiry into the Perceptions and Status of Vocational Education and Training*.

Business NSW is NSW's peak business organisation with more than 40,000 member businesses. Business NSW works with businesses spanning all industry sectors, the majority of which are small or medium enterprises. Operating throughout a network in metropolitan and regional NSW, Business NSW represents the needs of business at a local, state and federal level.

The perceptions and status of the VET sector have been the focus of numerous reviews during the last five years and beyond including:

- Strengthening Skills: Expert Review of Australia's Vocational Education and Training System (Joyce review)
- Australian Qualifications Framework Review
- COAG Education Council review of senior secondary education
- Perceptions of Apprenticeships: Behavioural Insights Evidence Review
- NSW Curriculum Review
- NSW Review of VET delivered to Secondary Students.
- NSW VET Review (Gonski and Shergold review)
- NSW Productivity Commission White Paper 2021

Much can be learned from the findings and recommendations of each of these reviews and it is strongly recommended that the Inquiry particularly consider the findings and recommendations of the four NSW papers. A consistent theme in many of these reviews is the poor perceptions of VET pathways and each contains myriad recommendations on how to address this challenge. Business NSW broadly supports the recommendations in each of the four NSW papers and commends them to the Inquiry.

Business NSW recognises the need for a modern VET system to deliver the skills we need. While qualifications may not necessarily be required for a particular position, training can lead to an increase in the quality of labour and productivity, by equipping employees with greater skills and knowledge (and possibly fostering greater effort), supporting flexibility throughout careers and delivering foundational skills that can sometimes be lacking.

To arrest the decline in perception and status of VET, Business NSW considers there to be four key areas of action:

1. Addressing inconsistent funding arrangements
2. The perception of VET in schools
3. Bringing the VET and university sectors closer together
4. Improved industry engagement and increasing quality

SUBMISSION

1. Addressing inconsistent funding arrangements.

Recommendation 1

Commit to, and provide, real terms funding growth to the VET sector over at least the life of the new National Skills Agreement.

Despite the ongoing importance of the VET sector in delivering skills, the sector has seen a dramatic reduction in funding over the last 10 years. Funding has not kept pace with population growth, growth in salaries of the VET workforce, VET infrastructure investment nor the growth in government funding to other education sectors over that same period.

Government funding in VET in 2021 is lower in actual terms than 2014. According to the latest *Report on Government Services*, total recurrent government expenditure was \$7,061 million in 2021 compared to \$7,171 million in 2014.

This amount, whilst substantial, is nowhere near the required amount. A 2011 review of the VET system conducted by Skills Australia reported that:

Persisting with current levels of VET provision will result in shortages of skilled labour and skills gaps among those employed that will constrain long-term economic growth. If demand for skilled labour is to be met and potential constraints on economic growth avoided, the number of graduates in tertiary education needs to increase by 3 per cent per annum ... the growth in investment recommended is in line with the projected increase in the required number of qualifications. New directions include: the requirement for an additional \$310 million per annum accumulating, from \$8,286 million in 2008 and rising to an estimated \$12,000 million in 2020. This is an average increase in funding of just on 3 per cent per annum over the period.

The Joyce Review found that government funding for VET is the lowest of the three education sectors and that growth in VET funding has been far outpaced by growth in funding for other education sectors.

That Review reported that in 2016-17, funding to the VET sector was around \$12,500 per FTE, compared to \$22,000 per FTE in higher education and \$15,000 per FTE in schools.

The new National Agreement for Skills must streamline and clarify funding mechanisms between the Commonwealth and states, while supporting an increase in funding tied to student and job outcomes, faster development of qualifications, more streamlined regulatory requirements and access to better marketing of the sector and the job outcomes that can be achieved. Existing reforms must be supported by an increase in overall funding available to all Registered Training Organisations (RTOs) to deliver the training needed by employers.

The previous Heads of Agreement for Skills Reform, published in August 2020, included commitment to increase real investment in VET, while undertaking agreed reforms needed to ensure this investment will improve outcomes for Australians and the economy. However, the recent Vision and Principles agreed by Skills Ministers and endorsed by the National Cabinet on 31 August 2022 notably does not contain such a commitment. It is unclear whether this means

whether there will be an increase in VET funding in the future and how this will impact the sector.

Funding constraints hinder the ability of providers to meet the demands of students and businesses, with businesses frequently reporting that VET courses in NSW, particularly in regional areas, are often full, cancelled or unavailable due to funding constraints. These include future-critical courses in Electrotechnology and Carpentry.

The real-world impact is on the student and the employer. We have received numerous reports of apprentices having to wait more than 12 months to commence their training qualification due to provider availability. In our experience, a delay between commencing an apprenticeship and commencing training is a significant indicator of lower completion rates. Apprentices who are not engaged in training are more likely to cancel their apprenticeship as a result of missing out on the educational and social aspects of formal training.

2. The perception of VET in schools

Recommendation 2

Review the findings and recommendations of relevant NSW reviews and consider implementing national curriculum reforms in line with those already occurring in NSW.

Recommendation 3

Improve coordination between Jobs and Skills Australia and school systems to align VET in schools offerings with growth occupations and skills shortages.

NSW has seen a decline in the number of school students undertaking a VET qualification – falling from over 60,000 in 2013 to 47,900 in 2021.

Unfortunately, the perception of many school stakeholders (parents, students, staff) is that VET courses are lesser level subjects. VET subjects tend to have varying levels of approval within the school community, depending on the subject's perceived level of challenge and the perceived quality of instruction. Some schools highly value VET courses and promote the potential pathways students can achieve whilst others do not.

For example, we have heard of instances where students have been advised to undertake a VET subject when a school is under pressure to achieve high academic results. We have also heard of instances where high achieving students do not choose a VET subject because they don't wish to be labelled as a low-level student.

This anecdotal feedback is consistent with the findings of numerous reviews undertaken by the NSW Government. The NSW Curriculum Review conducted by Professor Geoff Masters found that schools tend to give priority and weight to the 'traditional academic pathway' from HSC study to ATAR to university entry. The review found that other pathways were commonly treated as 'alternative' or 'non-academic'. It was noted that not all schools had embraced the introduction of VET courses, and 'non-ATAR' patterns of study were 'struggling for acceptance' in many schools. This was exacerbated by the hierarchy currently imposed on school subjects by university rules concerning ATAR.

To that review, a parents' association submission observed that 'there is sometimes a bias

amongst teachers/ schools regarding VET, which is sometimes seen as inferior to ATAR/tertiary preparation'. In a public consultation meeting, one person commented that the 'stigma' often associated with vocational learning in schools needed to be addressed. Professor Masters identified this as the "current academic-vocational dichotomy".

These findings were reiterated in the 2020 NSW review conducted by Professor Peter Shergold and Mr David Gonski. One of the key challenges identified was the continuing negative perception of VET in NSW's schools. In that report, the reviewers stated that:

"Student Higher School Certificate (HSC) pathways tend to be biased towards academic subjects that lead to university study. The Australian Tertiary Admission Rank (ATAR) dominates the high school curriculum. Access to high-quality, practical, work-oriented subjects is generally given less attention at school. The range of VET subjects taught is limited and too rarely leads to certification. *Many students are led to believe that VET is not accorded equal status and should only be considered by those with lower academic capability.*"

Despite this, the NSW Productivity Commission reported in 2021 that "Data shows that upon leaving school, some students who are encouraged to go to university would do better to pursue a career through VET."

As a result of these findings, significant curriculum reforms were recommended in NSW to address the bifurcation of academic and vocational pathways in schools, with further recommendations around improving the breadth and quality of vocational education made available in NSW high schools.

Specific recommendations included:

- ensuring practical course offerings, vocational learning, work exploration and career education are available to all students
- increasing the number of selected vocational courses that can be incorporated in the calculation of the ATAR
- providing more opportunities for externally delivered VET where that is in the best interests of the student.

One of the early achievements of these reforms is an increase in the number of selected vocational courses that can be incorporated in the calculation of the ATAR.

Currently students in NSW wanting to receive an ATAR can only study one category B VET course - such as business services, construction or hospitality - that contribute to their score. However, under the reforms, this distinction for VET subjects will thankfully be abolished.

These changes in the value of VET for future ATAR calculations may improve perceptions, particularly at those schools that use VET as a point of difference. One new NSW school is aimed at solely delivering VET to school students which may prove to be a better model for many. However, the uptake may largely depend on careers advice offered throughout a student's previous school career.

Accordingly, the Commonwealth should consider implementing reforms nationally similar to those being introduced in NSW to remove the distinction between VET and academic pathways in schools.

In the meantime, there is a need for far greater alignment between the uptake of VET in schools training packages and projected growth occupations. With the creation of Jobs and Skills Australia,

there has never been a better opportunity to align VET in schools offerings with employment projections.

Jobs and Skills Australia projects that the three largest growth areas to 2026 will be health care and social assistance, professional services, and education and training. Construction ranks far higher than sports, fitness and recreation for projected jobs growth and yet very few school students undertake a construction-related VET course. In comparison, data from the NCVET shows that tourism, travel and hospitality, business services and sports, fitness and recreation are the three most popular areas for VET qualifications in NSW schools.

2.1 Careers advice in schools

Recommendation 4

Improve coordination between Jobs and Skills Australia and careers advice providers in all school systems.

Schools often send out the message that almost everyone should aspire to a university education but labour market analysis tells a different story. Yet projections from Jobs and Skills Australia suggest that almost half of employment growth over the coming years will rely on VET qualifications. Despite these projections, it is our view that this is not well known or understood, particularly by school students making decisions about their future.

In the Business NSW 2022 Workforce Skills Survey, only 7 per cent of businesses felt that there was sufficient career advice available in schools to inform students and parents on the breadth of future options. In previous surveys conducted by Business NSW, many businesses raised concerns about careers advice in schools not promoting trades well enough and university often being promoted as the preferred pathway post-school.

This is further emphasised by the experiences of young people. In the Skillsroad 2018 Youth Census, 19 per cent of public school students and 22 per cent of private school students reported that they felt they had been pushed / encouraged to pursue a University pathway, compared to only 4 per cent (public) and 2 per cent (private) of students who felt they had been pushed or encouraged to pursue an apprenticeship or traineeship.

Given the variation in careers advice, additional training and education for those delivering careers information could support VET to receive an equal and informed representation within schools and to parents. To this end, the NSW Government has developed Careers NSW – and is currently piloting this service in schools. It is recommended that this Inquiry analyse the findings from this pilot.

2.2 School-Based apprenticeships and traineeships.

Recommendation 5

Expand the School-Based Apprenticeship and Traineeship mentor model to further support school students.

Business NSW has long considered there to be opportunities to increase the number of School-Based Apprenticeships and Traineeships as a valuable pathway into employment.

Research conducted by Apprenticeship Support Australia NSW in 2019 demonstrated the merit of School-Based Apprentices and Traineeships (SBATs) for both employers and students. This research found that three-quarters of young people who had started a SBAT agreed that the experience had given them an advantage over those who hadn't started one. Further, the self-reported unemployment rate from completed SBAT participants was only 4.3 per cent - far lower than the then NSW state-wide youth unemployment rate of 9.4 per cent.

That research also found that 88 per cent of young people who had commenced an SBAT were likely to recommend it to a friend.

Despite these positive outcomes, students were far less satisfied with the support received from their school or teacher than any other aspect of the SBAT. Of concern, many current and former SBATs identified timetabling barriers that made it more challenging for the student to satisfactorily complete their schooling, training and employment requirements. Of those schools where VET was outsourced to an RTO, students reported significant challenges due to travel requirements and / or VET classes not fitting in with the school timetable, resulting in needing to catch up with other subject work.

The NSW Government's Educational Pathways Program saw the introduction of SBAT mentors in schools. In 2021, likely as a result of these changes, NSW saw a more than 20 per cent increase in the number of approvals of SBATs, primarily in the government school sector. Completion and satisfaction rates of SBATs have also reportedly increased. Consideration should be given to the Commonwealth extending these types of supports.

3. Bringing the VET and university sectors closer together

Recommendation 6

That the Commonwealth pilot a new education provider based on the NSW Institute of Applied Technology model that brings universities and the VET sector closer together.

Recommendation 7

That the Commonwealth task Jobs and Skills Councils to consider how to improve Recognition of Prior Learning processes.

Given the findings of the various reviews to date, VET's status appears to suffer as a result of comparisons with university pathways. However, Business NSW does not believe that the university and VET sectors ought to be considered as an either/or situation but considers them complementary to one another. Despite the creation of seemingly two tertiary sectors separated by funding, policy and tradition, Business NSW considers that closer connection between VET and university will better meet the needs of business, student and, ultimately, the tertiary sector as a whole.

This is already occurring to an extent. NCVET reported that, in 2019, more than 12 per cent of VET students already had a university qualification and 11 per cent of university students in NSW who enrolled in Bachelor courses gained entry to higher education on the basis of their VET study.

However, we consider there to be greater scope for improving connection between VET and university, supporting lifelong learning and facilitating the transition for students between knowledge and skills training as their needs change.

In NSW, this challenge was recognised by the Shergold / Gonski review and a new model of tertiary education recommended – the Institutes of Applied Technology (IATs). As a result, the NSW Government funded the development of two pilot IATs – one in Kingswood focused on construction and one in Meadowbank focused on Information Technology. These IATs are being set up in partnership between TAFE NSW, universities and major employers with one of the primary aims to make it easier for students to transition between TAFE and university and back again as upskilling / reskilling requirements change. This approach should be considered for further expansion by the Commonwealth.

In respect of Recognition of Prior Learning (RPL) into VET, the current NSW Smart and Skilled payment structure disincentivises RTOs in NSW from completing RPL. Where RPL is granted, student fees are calculated as follows:

- The fixed cost of the qualification will be reduced by 50 per cent of the proportion of UoCs (Units of Competency) granted RPL.
- The variable cost will be reduced by 50 per cent of the total cost of each UoC granted RPL.

In addition to this financial disincentive, RPL is a time-consuming resource-intensive process. An alternative approach could be for the Jobs and Skills Councils to nominate specific providers to regularly undertake RPL on a frequent basis for specific occupations, with a standardised approach to RPL across the entire sector.

4. Improved industry engagement and quality of delivery

Recommendation 8

Ensure that industry has clear touch-points with Jobs and Skills Councils on the development and amendment of training packages.

Recommendation 9

Consider allowing minor amendments to training packages to take place at the Jobs and Skills Council level, subject to an agreed process of industry consultation.

Satisfaction among employers in NSW who use vocational qualifications as a job requirement has fallen from 85.9 per cent in 2011 to 74.3 per cent in 2021 (NCVER) and satisfaction among employers with apprentices has declined from 84.4 per cent to 74.2 per cent.

Business NSW frequently hears about employers' dissatisfaction due to the outdatedness of skills taught, the lack of connection between the training provider and the employer and training provider inflexibility.

At the highest level, greater strategic and purposeful industry engagement in VET is required, ensuring that business can have a more influential role in planning and designing relevant educational and training courses with greater involvement in providing on-the-job training and career advice.

Training development remains a significant challenge to the VET system, causing frustration to stakeholders and reducing the responsiveness of the overall system. For example, a recent review of the Certificate III in Individual Support took more than a year to be approved and released after it had been approved by the Australian Industry Skills Council. This is unacceptably long, especially for such a critical qualification.

Business NSW is strongly supportive of the introduction of a streamlined process whereby industry has a lead role in the development of training with the new Jobs and Skills Councils. It is pleasing to hear that the new Jobs and Skills Councils (JSCs) will have industry engagement at their core.

These new organisations should prioritise the development of new qualifications where there are none, particularly where there are increased or new industry training needs.

To improve speed to market, the role of minor amendments to training packages should be broadened to allow changes to take place at the JSC level, subject to an agreed process of industry consultation. These minor amendments can be adopted by RTOs at their option without compulsion. This way, rapid industry change can be reflected in training delivery by the nimbler providers without forcing major and frequent change on every provider. This is a preferable approach to the push to have complete packages updated every 18 months – which is one current suggestion – which would be expensive and have major implications for the cost of training delivery.

4.1 Quality in delivery

Recommendation 10

Increase student-choice in the use of VET funding and reduce the compliance approach to quality.

Recommendation 11

Consider how to enable industry practitioners to deliver training in flexible models of training delivery.

Frequently, Business NSW hears reports that the existing compliance approach to quality is detracting from the delivery of quality training itself.

With over 4,000 registered training providers nationally, there are inevitably going to be differences in the quality of the experience. This is acceptable, in a robust market, as long as all providers are meeting a minimum industry standard.

Increasing student choice will likely have a bigger impact on quality rather than the current compliance system. Reducing the heavy focus on compliance and offering more opportunities for the development of the training workforce should also be considered. Making the VET Trainer occupation more professional with VET training recognised as its own profession could be one step. However, it is noted that the requirement to have a Certificate IV in Training and Assessment is already a significant barrier to industry practitioners working in VET. Further consideration is required in how to address this tension.

4.2 School and industry engagement

Recommendation 12

Develop a structured approach to school-industry engagement across all school sectors.

Most schools that we hear from would love to be better connected with industry. Similarly, in the Business NSW 2022 Workforce Skills Survey, 62 per cent of businesses reported that they would be interested in partnering with schools to, for example, provide mentoring to students or offer work placements or work experience. However, in our experience, both parties often do not know how to achieve this.

It is clear that there is a need to build better partnerships between schools and industry. However, these appear to be difficult to achieve for all schools as a whole with some employers reporting more success than others. This may be determined by the level of interest a school has in sending their students to non-University options.

The NSW Government's Regional Industry Education Partnerships (RIEP) program connects local industry and secondary school communities to provide opportunities for helping employers to engage with schools and support students to plan their future career pathways. This program

appears to have had success and could be extended further with Commonwealth Government support.

A structured approach to industry engagement across all school sectors would be a significant outcome from this review. The current situation is that each of the three school sectors tend to have differing approaches to industry engagement and VET delivery more broadly. While it may be that schools from various sectors may not be willing to work together, a combined approach may be more beneficial for students and would likely result in economies of scale.

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