

16 April 2013

Ms Margy Osmond,
Chair of the NSW TAFE Commission Board' Education
Chief Executive, Australian National Retailers Association (ANRA)
3 Spring Street
Sydney NSW 2000

By email

Dear Margy,

Let's Talk about TAFE consultation

The Chamber welcomes the opportunity to contribute to the *Let's talk about TAFE* consultation process. In addition to the feedback provided to you in December, the Chamber would like to provide further comment to inform the current round of consultation.

As you may be aware, the Chamber is one of Australia's largest business support groups, with a direct membership of more than 12,000 businesses, providing services to over 30,000 businesses each year. Tracing its heritage back to the Sydney Chamber of Commerce established in 1825, the Chamber works with thousands of businesses ranging in size from owner operators to large corporations, and spanning all industry sectors from product-based manufacturers to service provider enterprises. The Chamber is a leading business solutions provider and advocacy group with strengths in workplace management, occupational health and safety, industrial relations, human resources, international trade and business performance consulting.

Operating throughout a network of offices in metropolitan and regional NSW, the Chamber represents the needs of business at a local, regional, State and Federal level, advocating on behalf of its members to create a better environment for industry.

In recent years, the Chamber has driven significant public policy debates in NSW. Our goal in doing so is to help create an economic environment that is supportive of productivity, growth, investment and jobs.

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

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

Employers expect better outcomes and continually look for products tailored to their needs. Knowledge-based industries continue to grow which is placing greater emphasis on the importance of higher education and the acquisition of higher level skills.

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Smart and Skilled

In its submission to the *Smart and Skilled* discussion paper, the Chamber argued that the introduction of a student entitlement model in NSW will provide TAFE NSW with opportunities to achieve greater efficiency, encourage innovation, flexibility of course delivery and create potential for further growth. TAFE is a recognisable brand and is known for the delivery of quality training. This immediately provides TAFE with a competitive advantage over private providers and means it will be well placed going into a student entitlement funding model where providers will compete to attract students.

One of the key components of a demand-driven VET system is the flexibility and responsiveness of the system as a whole. Flexibility in training delivery is essential for lowering the overall costs of training to both industry and the individual. Training that occurs on-the-job, or outside work hours, significantly reduces the burden of lost wages for individuals and lost productivity for business. The introduction of more competitive market arrangements will encourage providers, including TAFE, to deliver more flexible options.

The recent TAFE NSW report, *Creating and Adding Value*, demonstrates that:

- Institutes are using insights gained from customers to either invent services or reshape existing services
- Institutes are identifying market segments and the type of value sought by its customers and delivering that value
- Institutes are aligning their internal functions to better serve different customer groups
- Institutes are devising new business models, taking new decisions and developing value creating capabilities and how these actions could potentially transform TAFE institutes into “value machines”.¹

These findings emphasise the fact that TAFE institutes have the ability to adapt to changing market demand and should be well placed to compete with private providers under an entitlement funding system. It should also be noted that TAFE NSW has already decreased its reliance on direct government funding since 2005, successfully adapting to a more market based approach to service delivery.

The Chamber acknowledges that TAFE plays a significant role in contributing to economic development in NSW, through the provision of skilled graduates and meeting some needs of industry. TAFE has an important role in delivering training and support to learners from low socio-economic backgrounds and disadvantaged learners more broadly. TAFE also has a critical role to play in delivering services in regional areas. The Chamber agrees that TAFE should be provided with additional resources to maintain adequate service delivery to disadvantaged groups and to regions where thin markets exist. TAFE is essential as one of a range of providers of training services and facilities, where it has appropriate infrastructure and teachers.

Industry satisfaction with TAFE provision

The Chamber recently surveyed members regarding levels of satisfaction with TAFE NSW provision. Questions were included in the Chamber’s most recent quarterly Business Conditions Survey, March 2013.

¹ Mitchell, J. (2011). *Creating and adding value: how responsiveness by TAFE NSW benefits its customers*. TAFE NSW research report on improving customer responsiveness.

When asked whether they were satisfied with training provided by their local TAFE institute², some 71.1% of employers indicated they were indeed satisfied with current provision. Some 28.9% of employers indicated that they were not satisfied with training provided by their local TAFE institute. These figures show that the majority of employers are satisfied with their local TAFE, however there is significant room for improvement.

In addition to identifying broad satisfaction levels, employers were asked how TAFE could improve its service delivery to meet the needs of employers and industry³. Several recurring themes were evident in the responses received. Employers emphasised a need for:

- better engagement and direct communication with industry and employers
- better alignment of course provision with local industry demand and recognition of local skill shortage pressures
- clearer provision of information and advice about courses offered by local institutes
- foundation skills to be embedded into more courses (i.e. language, literacy and numeracy)
- more flexible training provision (i.e. outside of standard business hours)
- improvement of teacher/trainer quality. Ensure trainers have relevant industry knowledge and currency. Some employers suggested that more teachers should be required to undertake industry placements every one or two years.

Meeting industry needs

TAFE makes a significant contribution at various levels. What is less clear is how adaptive TAFE is to skill shortages. As a large organisation linked to complex training requirements, its courses are not changed quickly.

TAFE also prides itself on its industry relationships. While to some extent there is obvious connection due to the trade backgrounds of many staff, this is often experience well removed from current industry needs and practices. As well, it may not reflect the skill needs of emerging industries.

There is also the problem that TAFE equipment is not generally at the cutting edge. There are examples of good industry partnerships but we shouldn't judge any organisation by its best practices, but rather, by a broad assessment of all its practices.

International and Australian research indicates that in order to lift productivity Australia needs a deeper level of skills than currently exists in the Australian labour market⁴. The Australian Workforce and Productivity Agency has found there is a widening gap between the expected supply of higher level skills and expected industry demand⁵. The Chamber believes that increasing the skill level of the Australian workforce, across all occupations, is crucial to achieving long term productivity growth. One way in which this can be achieved is

² This question was answered by 849 employers across metropolitan and regional NSW, including all major industry sectors.

³ This question was answered by 453 employers. This also shows that many of the employers who indicated, in the previous question, that they were satisfied with current provision felt that provision could be improved in some way.

⁴ Skills Australia (2010). *Australian Workforce Futures: A National Workforce Development Strategy*

⁵ Australian Workforce and Productivity Agency (2013). *Future focus: 2013 National Workforce Development Strategy*.

by getting more of the working age population engaged in VET through their place of employment.

Australia has experienced the trend of jobs becoming more complex and there has been a consequent increase in demand for higher skill levels. This trend is projected to continue regardless of whether Australia experiences strong or weak economic growth in the future⁶.

While NSW Business Chamber recognises there is a need for a higher level of skills to respond to Australia's future workforce requirements, the drive for higher level qualifications needs to be tempered by ensuring that the importance and integrity of entry level qualifications is maintained. It is also important that lower level qualifications are recognised as a gateway for young people and disadvantaged individuals into the training system, providing opportunities to work towards higher level qualifications.

Lower level qualifications such as Certificates I and II can provide young people with a pathway into meaningful, highly valued work and are frequently the first step on the ladder to higher qualification levels. For example, while the completion rates as a percentage of commencements for traineeships are relatively low for young people, it is clear that traineeships act as a 'taster' and are useful in terms of engaging young people in the training system⁷.

Communication with industry

TAFE should be actively engaged with industry and schools to pinpoint skill shortage areas and deliver required training. TAFE clearly needs to engage and communicate more with business, but at times seems to have the attitude that business will come to them.

Due to the size and general difficulty of working with a large organisation such as TAFE, business finds it difficult to approach and determine who and how to engage. TAFE needs to make it easy and accessible for business to facilitate industry engagement.

There needs to be broader awareness at the ground level that employers, as well as students, are customers. Feedback from Chamber members suggests that this can sometimes be forgotten.

Partnership with industry

It is unrealistic to expect that TAFE can continue to upgrade technology and equipment that keeps pace with cutting edge commercially driven industry. It is also in the interests of business and industry to make sure that the key trainers have equipment and the people able to help train students to use it. While there are excellent examples around the world (and in Australia) where industry trains its own staff rather than outsourcing, we need providers like TAFE linked arm in arm in areas where new technology is driving change. This is important for industry innovation in this country. A role for TAFE exists in supporting new innovations if the resourcing and qualified staff are available, however it may simply be the case that this is more suited to specialised industry RTOs. It is therefore vital, in the emerging knowledge-based high skilled economy for TAFE to explore new forms of industry collaboration and partnership.

Understandably, TAFE generally targets the 'big end of town' when it comes to industry partnership arrangements. Partnership arrangements are invariably made with larger companies, with SMEs often being left behind. While the Chamber recognises that it can be

⁶ Skills Australia (2010). *Australian Workforce Futures: A National Workforce Development Strategy*

⁷ Smith, E & Green, A (2005). *How workplace experiences while at school affect career pathways*, NCVET

more challenging to engage with and enter into partnerships with SMEs, it is critically important that TAFE actively markets to and finds innovative ways to engage with SMEs.

Some feedback received from Chamber members in the preparation of this submission shows that there is a view among some small business owners that private training providers are more flexible and respond in a more timely manner than TAFE institutes. TAFE NSW needs to take heed of these views and address current administrative barriers to delivering timely responses and services to local businesses.

TAFE NSW will need to adopt a strategic approach to deliver the skills required by a dynamic and changing economy. In this regard, the Chamber agrees with the recent analysis provided by the Australian Workforce and Productivity Agency. The Agency states that to enhance workforce development in Australia we need to act across a range of areas:

- positioning Australia as a knowledge economy through skills development and targeted planning
- improving productivity in the workplace
- building labour force participation to meet the current and future needs of industry and individuals and promote social inclusion
- equipping Australians with the language, literacy and numeracy skills needed for full participation in community life, education and work
- enabling individuals and the tertiary system to respond flexibly and creatively to change strengthening quality in the tertiary sector
- investing in the tertiary system and workforce development strategies to meet our skills needs.

These actions should be considered by TAFE NSW in its transition to a competitive training market and as part of the changes to TAFE delivery and processes as an outcome of the *Let's Talk about TAFE* consultation.

Finally, the Chamber is willing to share data from our Business Conditions Survey (noted above) if this would assist with current deliberations.

Yours sincerely



Director, Policy & Advocacy