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Training Costs of Award Restructuring

Volume 1

Report of the Training Costs Review Committee
TRAINING COSTS OF AWARD RESTRUCTURING

Report of the
Training Costs Review Committee

VOLUME 1 : The Report

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Training Costs Review Committee

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The Hon J. S. Dawkins, MP
Minister for Employment, Education
and Training
Chairperson
Conference of Commonwealth and State
Labour Ministers
Parliament House
CANBERRA ACT 2600

3 October 1990

Dear Minister

We have pleasure in presenting to you, and to State and Territory Ministers, the Report of the Training Costs Review Committee. The Report responds to the terms of reference set by Ministers in May 1990.

The Committee wishes to record its appreciation of the effort taken by those who responded to the Committee's invitation to provide submissions. A number of people also prepared high quality papers - printed as Volume 2 of this Report - which provide valuable resource material for the on-going debate on training and its costs and priorities. The Committee also records its appreciation of the work of the Commonwealth and State officials who comprised its secretariat. Their work enabled the Committee to complete its task within a very short timeframe.

Yours sincerely

Ivan Deveson (Chairperson)

Lyall Fricker

Barry Hughes

Cassandra Parkinson

The Committee was established by Commonwealth, State and Territory Ministers for Labour to inquire into the training costs arising from award restructuring.
FOREWORD

The opportunity to participate in the review of training costs associated with award restructuring has helped to identify the many complex issues involved in our national training objectives.

We are now, arguably, at the "back of the pack" in skill formation relative to other OECD countries. Information presented to the Committee identifies our "literacy and numeracy gap" and the reluctance of many industries and employers to adequately commit themselves to the training of their workforce. These are two major obstacles retarding the re-skilling of Australia to internationally competitive levels. Moreover, the overall rate of progress in award restructuring, to date, has been disappointing.

I have, in many forums, acknowledged the initiatives of the ACTU in elevating the subject of training to the national agenda. There are, however, two warnings that I would give. First, employers - large and small - should realise that training is now an industrial relations issue, and that it is critical to the future success of training and award restructuring that union/employee demands relative to training costs are maintained at reasonable levels. Second, the whole subject of training must not become excessively burdened with the rigidities of the industrial relations system.

Our Report explodes the myth that there are no fees charged in the TAFE system. There are fees, in various guises. Legislation has driven the system underground, and there is a need for rationalisation of fees and charges.

While it is forecast that most of the increased training, albeit less than initial forecasts, will be provided by industry through in-house facilities or private providers, the TAFE system is encouraged to expand its fee for service and entrepreneurial activities, at the same time maintaining its core activities as a community responsibility.

Our Report calls for a form of "Training Guarantee" for Commonwealth and State Governments, in the form of recommended budget increases for TAFE over the next five years. Governments must set the pace for commitment, particularly in tough economic times.

I would like to thank Cassandra Parkinson, Lyall Fricker and Barry Hughes for their outstanding dedication and support during the review process.

Ivan A Deveson  
Chairperson

Melbourne, September 1990
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CHAPTER 1 INTRODUCTION

Terms of Reference

1.1 In May 1990, the Conference of Commonwealth and State Labour Ministers considered the COSTAC consultancy report (COSTAC, 1990) and in particular, the need for additional government funding for training and related issues. These included increased efficiency and flexibility in the public training sector, increased co-operation/joint activities between the public training sector and industry, expansion of industry's direct training effort, and contributions by individuals and industry towards public sector training costs through fees and charges. The Conference resolved to establish an independent committee - The Training Costs Review Committee - to review likely future training costs.

1.2 Specifically, Commonwealth, State and Territory Labour Ministers meeting in Queenstown, New Zealand on 24 May 1990, passed the following resolution:

1. Noted that there is a need to enhance the skill base in the Australian economy.

2. Recognised the training cost implications of award restructuring would be substantial.

3. Agreed to publish the consultants' report Costs of Award Restructuring.

4. Resolved that there needs to be a full consideration of all the options available to secure the additional resources for training because governments alone cannot and should not be responsible for meeting all the costs involved. Against this background, Ministers established a review group to look at the issues...

5. The Ministers indicated that the review group should consult widely with those involved in the training systems.

6. The report should be completed by the end of September, 1990, and be considered by a further special meeting of Ministers to be convened by the Federal Minister for Employment, Education and Training in November 1990.

1.3 Ministers determined the terms of reference of the review group to be:
a. The provision of estimates of resources required:
   . distinguishing between initial and continuing costs; and
   . balancing the reasonable demands by individuals for training for
     recognised vocational skills and the needs of the workplace.

b. The proposal of options for securing additional resources, which have
   regard to:
   . the economic benefits accruing to:
     - individuals;
     - enterprises/organisations in the public and private sectors; and
     - the wider community;
   . the need for equity in access to training for all groups in the
     community;
   . the balance of provision between public and private providers
     and the role of private providers in the broader training system;
   . the skill assessment requirements;
   . interfaces with schools and higher education sectors.

Processes Undertaken by the Committee

1.4 To focus public debate, the Committee prepared a paper which outlined
the issues and key questions and sought views and information on these. The
closing date for submissions to the Committee was set at 27 July 1990, although
the Committee continued to accept submissions up until 14 September 1990. A
copy of the issues paper is at Attachment 1.

1.5 The Committee invited submissions from individuals and organisations
through direct contact and through newspaper advertisements. A total of 69
submissions was received. A list of these is provided as Attachment 2.
1.6 The Committee also commissioned papers from a number of individuals and organisations to assist in its consideration of key aspects of its terms of reference. The papers are reproduced in Volume 2 of the Committee's Report and comprise:

- **Industry Funded Training in Australia**, Pappas Carter Evans and Koop (Appendix 1).


- **Access and Equity Implications of Fees in TAFE**, M. Powles, Centre for the Study of Higher Education, University of Melbourne (Appendix 3).

- **Survey on Commercial Activity in TAFE**, State Training Board of Victoria (Appendix 4).

- **The Role of Adult and Community Education in the Provision of Training**, the Australian Association for Adult and Community Education and the Conference of Senior Officers in Adult Education (Appendix 5).

1.7 A further paper, **Initial Vocational Preparation: Facts and Issues; Costs and Benefits**, was prepared at the request of the Committee by R. Sweet of the Dusseldorp Skills Forum and is included in Volume 2 as Appendix 6.

1.8 Consultation was an important part of the Review process and the Committee attempted to consult as widely as possible within the short time available to it. A list of the individuals and organisations consulted is presented at Attachment 3 of this Report. The Committee also conducted seminars in two of the key areas in order to generate further discussion of the issues and to gather additional information. These seminars were:

- **Seminar on Equity Issues Related to the Introduction of Fees and Charges in TAFE**, chaired by Ms Cassandra Parkinson, 16 August 1990;

- **Seminar on the Training Costs Arising from Award Restructuring**, chaired by Professor Barry Hughes, 17 August 1990.
Structure of the Report

1.9 Chapter Two sets out the general framework in which training is taking place and the main forces drawing change in these arrangements and funding. Chapter Three discusses award restructuring and its implications for training, particularly in relation to costs and regulation requirements. Chapter Four brings together the implications of key training developments and offers a number of reforms aimed at ensuring training responds in an efficient and flexible manner to wider and growing training demands. Chapter Five presents a summary of the Committee's findings.
CHAPTER 2 THE TRAINING CONTEXT

Forces for Change

The Economic Context

2.1 The Committee is aware that this Review is being conducted at a significant point in the nation's economic development. Commitment to an effective training system is an essential element of the productive culture on which our national economic well-being depends.

2.2 Training in Australia is in a dynamic state of change driven by powerful economic imperatives and responding to a complex mix of social currents and community attitudes.

2.3 The economic experience of Australia in the 1980's has led to serious questioning and reappraisal of traditional attitudes and organisational forms. Most significantly, the rapid growth of international indebtedness consequent on a sustained current account imbalance - $20.7 billion or 5.6 per cent of Gross Domestic Product in 1989/90 - has led to increased awareness of the constraints to economic growth arising from inefficient and uncompetitive structures and practices in the private and public sectors. In particular, factors which limit productivity improvement and restrain the capacity of the economy to produce the goods and services demanded by Australian consumers and investors have been targeted for comprehensive reform.

2.4 Attempts to remove supply side constraints to international competitiveness have involved an array of strategies including industry plans, tariff reform, incentives for technology transfer and revitalisation of infrastructure. Most importantly, a process of award restructuring and other initiatives to link education and training more closely to the production of goods and services has been established and widely accepted in industry.

2.5 As described by a recent report of the House of Representatives Standing Committee on Employment, Education and Training

A new awareness has emerged of the value of training in a market economy. Firms and governments have realised that: it is necessary to develop the inherent capacities of the workforce; our economy should place greater emphasis on the production and supply of high value added goods and services; and, in order to translate production into sales, it is necessary to compete not only on the basis of product price, but also on the basis of product quality and reliability of supply (para 4.1).
The Committee found widespread union and employer support not only for more training but also for a stronger emphasis on the quality of training (para 4.15). (House of Representatives, 1989, pp. 7-9)

2.6 The recent concern arising from Australia's deteriorating international trading position is not the only economic experience of the 1980's that has focussed attention on the place of training within the economy and society. The decade opened with the most severe economic recession of the post-war era, in Australia, North America and most of Western Europe. So alarming was the world-wide increase in unemployment, particularly in manufacturing industry, that speculation mounted that a "collapse of work" was about to occur in mature capitalist economies, with the widespread replacement of human endeavour by technologically advanced machinery and a consequent deskilling of the workforce, especially in the trades and more routine white collar occupations.

2.7 While some of the worst fears of this time were ameliorated by the economic recovery which commenced in Australia after 1982/83, the very nature of the renewed job growth raised further questions about the economy's skill base. It was noted that the growth in jobs occurred mostly in service industries, to such an extent that the net job gains throughout the decade were in those industries, while the relatively modest increases in manufacturing sector employment were associated with a more capital intensive mode of production. Both the change in workforce composition and the more advanced technological base of manufacturing led many observers to conclude that skill growth in the future would be bipolar - a relatively smaller core of high skill workers supported by a much larger pool of low skill workers, with minimal career prospects and uncertain job security.

2.8 This potential difficulty was acknowledged in most of the major trading nations. As early as 1982, the Japanese Labour Ministry was sufficiently concerned to commission a survey Technological Innovation, The Ageing Workforce and Effective Use of Human Resources, covering the key issues in what was considered to be the emerging age of mechatronics. The survey concluded that:

It was wrong to think that the application of mechatronics would simplify skills through the bipolar disintegration of skills. Its application tended to create a complex job compounding several jobs - programming, maintenance, monitoring, operation of equipment and so on - to be taken care of by a single worker. (Ministry of Labour, Japan, 1988, p.14)

2.9 Several other fast growing economies of the Asia/Pacific region, notably Singapore and the Republic of Korea, have encouraged economic development through systematic investment in workforce training.
2.10 Similar conclusions were reached in Western Europe. A series of case studies for the Manpower Services Commission in the United Kingdom found that new technology had resulted in the deskilling of some jobs and reskilling of others - the skill base of occupations overall depended less on the nature of the technology than on management processes:

Management strategies have a profound influence on organisational arrangements, on the training and education of the workforce and on the attitudes of the workforce towards change. (Brady, 1984, p.111)

An Emerging Consensus

2.11 A significant clarification of Australian attitudes to training and skill formation and renewal resulted from the Australian Council of Trade Unions/Trade Development Commission Mission to Western Europe, as reported in Australia Reconstructed. Arguing for what it described as active labour market policies, the Report noted

The most striking aspect of active labour market policies is the emphasis placed on skill formation, skill enhancement, skill flexibility and overall training. (ACTU/TDC, 1987, p.107)

It also cited with approval the common European practice in which

Vocational education and training is not seen as a one-off exercise but as a process of lifetime learning, contributing to both personal and career development. (ibid, p.109)

2.12 The Business Council of Australia (BCA) in its submission to the Committee argued strongly that

Training is also correctly seen as an investment in human capital and as a key part of an enterprise's human resource development strategy.

The BCA also suggested that tests of this investment's profitability be more rigorous than in the past.

2.13 In Australia, a review of case studies by the Department of Employment, Education and Training (DEET) in 1988 agreed with a conclusion of the Organisation for Economic Cooperation and Development that
The new technologies will require a broadening of skills, a greater emphasis on conceptual rather than manipulative skills, ability to work with a team and the need for frequent retraining or skill up-grading during an individual's working life. (Krbavac & Stretton, 1988, p.6)

2.14 The DEET review cited a United States study which calculated that the "occupational half-life", the time in which one-half of workers' knowledge and skills becomes obsolete, has declined from 7-14 years to 2-5 years (ibid, p.6).

2.15 An especially pressing training need for the workforce, both Australian-born and migrant, is literacy and numeracy skills together with broader communication skills required in increasingly complex work environments. The non-English speaking background (NESB) of many workers, the use of self-paced instruction, the increasing complexity of technical manuals and the transfer of training to the workplace are factors emphasising the need for vocational literacy training. Literacy abilities form a continuum and need to be related to specific functions rather than to an absolute standard; as well, further training may be needed at higher levels of career progression. The recent Wickert survey identified about 4 per cent of the NESB population and a smaller proportion of English speakers as unable to perform at basic levels (Wickert, 1989, p.21), but there are reports that up to 40 per cent of workers in some manufacturing enterprises are unable to follow written instructions. The State Rail Authority of NSW found that of its NESB workforce, 47 per cent were below survival level in spoken English, 61 per cent in reading and 72 per cent in writing.

2.16 An approach which places training and reskilling of the workforce at the forefront of micro-economic reform has, as the House of Representatives Standing Committee pointed out, now been widely accepted by business and unions and reflected in the award restructuring initiative. Industry has therefore agreed with international experience which stresses the importance of a strategy of job redesign and the reorganisation of management and work practices to improve productivity and profitability, improve job quality and encourage skill enhancement. Unions have recognised the need to accept change in work organisation and to link reward to skills gained and utilised. These are commitments that need to be strengthened over time. Both industry parties and government have a firm expectation that award restructuring and related reforms will help Australia broaden the national skill base and regain a competitive advantage in international trade and its former standing among advanced nations. Ongoing support for the process will depend to a large extent on the achievement of many of the reforms discussed in this Report.
Markets for Training

2.17 The Committee has been charged in part with reviewing "the balance of provision between public and private providers and the role of private providers in the broader training system". An important trend, which award restructuring can be expected to accelerate, is the development of a more comprehensive set of markets for training. Increasingly the decision by individuals and organisations to undertake training will involve a choice between public, industry and private training providers. The need to give consideration to the nature of the evolving markets for training was promoted in a significant number of the submissions received by the Committee. It was, therefore, considered useful to reflect on the features of an effective market mechanism and on what the consequences of a trend towards increased choice and competition in the training market may be.

2.18 The notion of a market involves both more and less than a series of dollar transactions. On the one hand the mere keeping of books of account with dollar records does not of itself constitute a market. Nor does commercialism necessarily involve a market. On the other hand, a market may exist even though participants never meet together in the one place. The foreign exchange market conducted entirely through electronic screen transactions is one such example. The distinguishing feature of a market is the ability to conduct transactions with relative freedom amongst many potential buyers and sellers.

2.19 When markets work well, the processes offer a number of important benefits. For example, high cost or inefficient training providers will lose out through competition to those trainers providing a better quality or more efficient service, thus providing the desired results at a lower cost to customers and the nation. Through competitive pressures, markets result in price being pushed down to the cost of production. At a time both of a widely shared perception of the need to sharply increase the quantum of training in Australia and a set of economic circumstances that limits available resources, this potential benefit is especially compelling.

2.20 Moreover, this market price would have a strong tendency toward uniformity amongst the various providers with the result that there is equity between customers in the sense of treating all persons alike. Australian practice presently resembles more nearly a lottery based on geography (see paragraphs 4.61-4.67).

2.21 An effectively functioning training market would allow individual consumers to make informed judgements about the worth of a training activity. Thus, if customer support for a training program is lacking there is a prima facie case for reducing the resources allocated to the activity, and vice versa. When prices do not stand in any recognisable relationship to costs, the opportunity to observe whether customers find the training to be worth the resources involved is lost, and other, perhaps wasteful, methods of allocation must be invoked.
2.22 A significant amount of current Australian training activity stands a considerable distance away from anything that could be described as a market process, with only small segments adopting cost recovery practices and with prices (fees and charges) varying widely for nearly identical activities.

2.23 In part, this position reflects the desire to bring about fairer and more equitable access to training. However, there need be no conflict between this objective and increased reliance on a market approach, if targeted training subsidies are used. It is people who need to be subsidised, not the courses in which they happen to cluster. Through this approach, the causes of both equity (in the sense of equal treatment as interpreted by legislators) and efficiency can be served simultaneously. Moreover, the subsidy element becomes transparent. As the BCA argued in its submission,

...the intervention of government should be transparent and it should be directed to the successful competitor for the supply of training whether it is TAFE or a private provider. If TAFE is heavily subsidised, or has a monopoly on the receipt of government assistance to students, these policies will prevent the private training provider competing on fair terms. This will inhibit the development of the training market. It will also lead to misallocations of resources as training is located, not where it can be done most effectively, but where it can be done at subsidised rates. (BCA, 1990)

2.24 A significant impediment to the development of effective training markets is the lack of an effective accreditation and certification mechanism for industry and private providers. It is necessary, both as an issue of equity to individuals as well as to facilitate a flexible and competitive labour market, that transferable skills receive national recognition and portability. For individuals to receive adequate recognition for the training they undertake, all training providers should be able to seek formal recognition for their courses through the appropriate regulatory authorities. This will also help to guarantee the quality of training conducted in either the public or private sectors. Where acceptable standards of output are closely controlled or strongly influenced by one of the providers (in this case, TAFE systems), there is a tendency for this to inhibit the entry of new suppliers. In order to remove this barrier to entry, a number of submissions called for a separation of the accreditation and the training provision functions.

2.25 Recognition of skills gained outside the education system is a complex issue. Techniques to do so exist, however, and a number of possible approaches has been reviewed in a commissioned report on the recognition of vocational training and learning (NBEET, 1990), and in a discussion paper on the development of procedures for the assessment of experiential learning (NOOSR, 1990).
2.26 Training markets have not been immune from the move towards deregulation in recent years. An increasing proportion of TAFE activity, for example, has been devoted to commercial fee-for-service activity, which the evidence presented to the Committee suggests will increase further as a result of award restructuring. The widespread advent of personal computing has added a new field of training in which commercial operators are dominant, joining established business and secretarial trainers. And there is evidence of an embryo commercial sector developing from the extension of in-house training courses to customers from outside the firm.

2.27 These are all examples of a developing market for training outputs, that is, the competencies sought. Further developed is a series of markets for training inputs. From the evidence presented in submissions and consultations, the Committee has been impressed by the extent to which the surge of in-house training underway, for award restructuring and other reasons, relies upon recruiting existing trainers. A considerable part of this is the other side of commercial fee-for-service activities of TAFE colleges. What the colleges supply is often part of the inputs for another provider's output. The market for inputs manifests itself also in direct recruitment of existing TAFE personnel, often at considerably higher salaries than previously earned. This market will develop further in the near future, quite likely imposing strains on traditional TAFE staffing policies.

2.28 The existing training system in Australian is neither fully market oriented nor impervious to market pressures. Much output activity is conducted with little regard to market demand. However, the growing demand for training is likely to translate into increased competition for trainers. These tensions are likely to grow sharply in the period ahead. The Committee is also aware of claims by a number of actual and potential trainers that if appropriate accreditation procedures were available, they could provide training more cheaply and effectively than TAFE. There is no direct evidence to test these claims, but the Committee notes that they represent a source of growing tension within the training market.

2.29 Existing training arrangements comprise an unclear mixture of market and non-market driven activities. With market related activities growing rapidly and intruding into erstwhile non-market activities, the Committee believes that clarification of the appropriate role of market processes in the overall training industry is urgently needed.
Existing Patterns of Training

Trainees and Students

2.30 Training in industry and in institutions touches the lives of so many Australians that it is difficult to develop a profile of trainees and students. It is known from the annual Australian Bureau of Statistics (ABS) survey on educational attainment (ABS, 1989) that 38 per cent of the population over 15 years of age possess a post-school qualification and that 47 per cent of employed persons have such a qualification. In addition, a wide range of training experiences do not lead to a formal qualification, while many people take advantage of repeated training opportunities or gain further qualifications.

2.31 More is known about students in TAFE courses and extensive data are provided in the Committee's commissioned paper on access and equity implications of fees in TAFE (Powles, 1990). Almost one and a half million Australians enrol in TAFE each year and the sustained expansion of the system dating from reforms following the Kangan Report in 1975 has continued during the 1980's. As presented below, between 1981 and 1989 the TAFE population grew substantially. Some 64 per cent of enrolments are in vocational and preparatory courses, but because these are longer than recreational or enrichment programs, they account for 95 per cent of aggregate student hours. The preparatory role of TAFE - providing basic employment or educational skills - is important, amounting to 17 per cent of enrolments and almost 20 per cent of student hours. (A description of the standard TAFE course classification by stream is given in Attachment 5).

2.32 Other data demonstrate the considerable growth in formal participation in training:

- Enrolments in TAFE vocational courses (namely, Streams 2100 - 4500) rose from 692,014 in 1981 to 951,598 in 1988, an annual average growth of 4.7 per cent. In 1989, the enrolment growth in most States was counter-balanced by a drop of 10 per cent in enrolments in New South Wales. Total 1989 enrolments were 932,331.

- There has been a substantial increase in apprenticeship intakes, from fewer than 35,000 in 1982/83 to over 62,000 in 1989/90, although the 1989/90 figure represents a slight drop over the previous year.

- The number of young people entering traineeships has increased from 1,093 in 1985/86 (when the program started) to 13,300 in 1989/90. Over 45,000 traineeships have been commenced to date.
2.33 This is only part of the picture. Growing numbers of enterprises have developed a substantial in-house training capacity. Traditional informal on-the-job training has in many cases been replaced with more planned and structured on-the-job training. In other cases, training is delivered in-house but off-the-job, either by the enterprise's own professional trainers or by teachers from TAFE or higher education institutions or by private training consultants. Information on the nature and extent of this training can be obtained from the ABS survey on how workers get their training (ABS, 1990a).

2.34 Structured training in the workforce encompasses all types and levels of employees, from company directors to operatives. Training opportunities for those not currently in the workforce are less consistently available, although the increased emphasis on training contained in recent Commonwealth policies for the unemployed and the disabled should increase participation by these groups. The Powles study (Powles, 1990) supports earlier observations that the social profile of TAFE enrolments reflects that of Australian society, although there are variations across course streams. Studies of social composition of the TAFE student body emphasise the importance of preparatory (Stream 2000) courses in promoting access to further education for lower socio-economic status groups. Women constitute a majority of enrolments in all four TAFE streams, although
there are important differences in sub-categories, especially in apprentice courses. TAFE provides important opportunities for young people and for those with incomplete secondary education.

**Expenditure on Training**

2.35 Expenditure on TAFE in Australia in 1989 amounted to $1,827.9 million ($1,569.8 million recurrent and $258.1 million capital). Table 2.1 presents recurrent expenditure on TAFE since 1983.

Table 2.1: Recurrent Expenditure on TAFE, 1983 to 1989, in constant prices

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Recurrent Expenditure on TAFE $m (1989 prices)</th>
<th>Percentage Change on Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>1,173.3</td>
<td>8.5</td>
</tr>
<tr>
<td>1984</td>
<td>1,272.9</td>
<td>5.5</td>
</tr>
<tr>
<td>1985</td>
<td>1,343.0</td>
<td>6.9</td>
</tr>
<tr>
<td>1986</td>
<td>1,435.6</td>
<td>3.5</td>
</tr>
<tr>
<td>1987</td>
<td>1,485.4</td>
<td>3.0</td>
</tr>
<tr>
<td>1988</td>
<td>1,530.7</td>
<td>2.6</td>
</tr>
<tr>
<td>1989</td>
<td>1,569.8</td>
<td></td>
</tr>
</tbody>
</table>

There has been an average annual real increase of 5 per cent since 1983, although the rate of increase has declined since 1986, to a low of 2.6 percent in 1989.

2.36 The Committee sought estimates from State and Territory TAFE systems on their sources of recurrent income spent. The information provided is shown in Table 2.2.

Table 2.2: Estimates of the Sources of TAFE Recurrent Income, 1989/90

<table>
<thead>
<tr>
<th>Source of Recurrent Income</th>
<th>Percentage Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth Government</td>
<td>8</td>
</tr>
<tr>
<td>State/Territory Government</td>
<td>84</td>
</tr>
<tr>
<td>Fees/Charges</td>
<td>4</td>
</tr>
<tr>
<td>Fee-for-Service</td>
<td>2</td>
</tr>
<tr>
<td>Stream 1000 Courses</td>
<td>1</td>
</tr>
<tr>
<td>Other sources</td>
<td>1</td>
</tr>
</tbody>
</table>
It should be noted that systems of financial reporting in TAFE vary widely between colleges and States/Territories, so that these figures can only be taken as indicative estimates. In particular, the definition of fee-for-service activities varies across States/Territories. The figure of 2 per cent shown here compares with the figure of 4 per cent derived for the Committee in the State Training Board of Victoria's survey on TAFE commercial activity.

2.37 Information on the level of training expenditure by industry is also unclear. Data drawn from the ABS survey of employer training expenditure (ABS, 1990b) and analysed for the Committee by Pappas Carter Evans and Koop (PCEK) indicate that public and private sector industry is currently spending some $1,300 million per year on training (PCEK, 1990, p.17). PCEK’s analysis focussed on the industry funded training market and therefore excludes "the opportunity cost of the time trainees spend undergoing training" (PCEK, 1990, p.7). Data provided by the BCA in their submission to the Committee indicate that the private sector is providing some $1,700 million per year in expenditure on training including cost of trainers’ time in training. What is clear is that industry expenditure on training is of the same order of magnitude as recurrent expenditure in TAFE.

2.38 The Pappas Carter Evans and Koop analysis predicts an increase of $600 million or about 50 per cent in industry funded training by 1995 (PCEK, 1990, p.13). They expect the proportion of this expanded market served by external providers to increase from 32 per cent to 34 per cent. The Training Guarantee will also affect the level of industry expenditure on training. The need to monitor the effects of the Training Guarantee is discussed in Chapter 4.

2.39 Individuals also contribute directly to the cost of training through fees paid to undertake TAFE and other courses and indirectly though income foregone when studying full-time or when employed at a training wage which is lower than they would otherwise earn. While the level and range of fees charged by TAFE systems varies between the States, it is estimated that about $60 million will be collected from fees and charges this year. With several States and Territories having announced new charges to operate in 1991, it is possible that student contributions for vocational courses could increase to some $70 million - $100 million annually. The issue of fees in TAFE is discussed later in Chapter 4.

2.40 Estimates of income foregone by students in TAFE and other forms of vocational training are difficult to make, but it is clear that this form of contribution by individuals is much lower than in higher education. Fewer than 10 per cent of TAFE students attend full-time and many of these are enrolled in short courses. A more common form of income foregone in TAFE is through training wages. A paper prepared for the Committee (Sweet, 1990) points out that apprentice earnings as a proportion of the relevant adult wage parallel junior earnings in non-apprenticeable occupations.
The Structure of Training

2.41 Schools and universities provide a range of vocational skills needed for entry to the labour force, but these are not the focus of this Report.

2.42 The largest single element in the Australian training system is made up of the eight State and Territory TAFE administrations - which make up what is referred to in this Report as Australia's TAFE system. The Commonwealth is involved in the TAFE system through its funding of about 8 per cent of TAFE recurrent expenditure and about 65 per cent of capital expenditure. It is also involved through a range of policies which affect TAFE and through its labour market programs.

2.43 The TAFE system operates under legislation enacted by the States and Territories. In some cases, the legislation is specific to TAFE, while in others it encompasses other areas of education, training or employment. State/Territory TAFE authorities vary in the degree to which they have decentralised decision-making, although there are frequently regional bodies to advise the central administration. In most cases, individual colleges have a considerable degree of autonomy in developing links with their local communities. Within the last five years, there has been a trend for State TAFE authorities to be linked administratively or through ministerial portfolio arrangements with previously separate government training and/or employment policy agencies.

2.44 The State-based nature of the TAFE and training systems has a number of advantages, including responsiveness to regional economic conditions and the opportunity to experiment and assess alternative methodologies. These advantages, however, have to be balanced by the need for national responses to the requirements of an economy increasingly integrated into world trading patterns. Accordingly, the State, Territory and Commonwealth governments have united in the establishment of a National Training Board to aid the development of nationally recognised skill standards for industry sectors. The Board will work through industry-based training councils in determining skill standards. Similarly, when a National Office of Overseas Skills Recognition was established at federal level, State governments agreed to designate agencies to work with the Office to improve the rate at which skills gained overseas are accepted and put to use in the Australian economy.

2.45 A consequence for State governments is a need to find a balance between their social and economic goals in TAFE. Governments have developed policy objectives by means of which TAFE programs play an important role in areas of social need. They also have an obligation to maintain a core provision of vocational education for the wider community. These objectives cannot be discounted because of growing pressures for industry training.
The need to balance equity, community service and commercial goals has led commentators to attempt to divide training activities into contrasting categories. Examples include distinctions between initial and post-initial training, transferable and specific skills and generic and enterprise-based training. While each of these dichotomies has some use in the analysis of issues, it is a mistake to overemphasise them. In practice, training which is initial for some is post-initial for others, and few skills are so specific to one enterprise that they cannot be transferred in some measure to another work or private context.

Governments have been concerned for some time about the adverse consequences for individuals and for national development of shortfalls in places available in tertiary education. While measurement of this shortage is more complex in TAFE than in higher education, surveys and the experience of all TAFE agencies show it to be substantial. It was an awareness of the ill-effects, national and personal, of such shortfalls which impelled the government to radical reform of higher education. Deficiencies in the supply of places in TAFE institutions should receive equal attention, although the remedy is likely to be more complex and multidimensional. This issue is discussed further in Chapter 4.

In the past, implementation of educational advances has often been hindered by formal regulations or by entrenched attitudes, as for example in the time-served basis of most apprentice education. Competency-based instructional and assessment methodologies are being developed but are only slowly replacing traditional approaches. The possibilities of enhanced productivity in both education and industry arising from these methodologies remain largely unexploited.

A related point concerns training regulations which overspecify the generic skills which must be taught by TAFE colleges regardless of individual skills or the availability of on-the-job training and experience. Sweet (1990, p.244) cites a TAFE college which has estimated that the use of "test out" options which give credit for skills acquired in the workplace within a modular competency-based program for butchery trades would result in an average 40 per cent reduction in college attendance. The cost savings potentially available from even modest reform in this area are considerable. For example, a 15 per cent reduction in hours devoted to apprentice training would amount to a saving of some $50 million annually.

The National Dimension

An important dimension of the Australian training market throughout the latter part of the 1980's, especially in relation to public provision, has been the growth of national, rather than Commonwealth or State/Territory, structures
and policies. Both State/Territory and Commonwealth governments have placed increasing emphasis on TAFE and related agencies as instruments of their economic and social policies. At the same time, partly in response to industry pressures, there has been a realisation that TAFE constitutes a national rather than regional resource. A solution has been for all nine governments to join together in the development and funding of projects and institutions on a national basis.

2.51 One of the earliest examples of this national approach was the establishment of the TAFE National Centre for Research and Development, created by the governments as a company limited by guarantee in response to a recommendation of the 1979 Williams Inquiry. From the mid-1980's, the Australian Committee on TAFE Curriculum, established by the Directors of TAFE and supported by the Commonwealth, has developed a series of national core curricula. Recent joint initiatives include the decision to establish the National Training Board, described earlier, and the decision taken jointly by Ministers in 1989 to move the training system towards a standards (or competency) based approach and to jointly plan an implementation strategy to bring this about.

2.52 Other current examples of national cooperation include the Review of TAFE Teacher Preparation and Development, projects aimed at further developing competency-based teaching and this present Review, all of which are jointly funded by the State, Territory and Commonwealth governments. Earlier this year, governments signed a Reciprocity and Recognition Agreement for interstate recognition of partial and complete trade training. Ministers responsible for employment, vocational education and training portfolios have begun to meet for specific purposes and continuing cooperation at political and administrative levels is inevitable. Similarly, the Australian Conference of TAFE Directors meet regularly with senior officers of the Commonwealth Department of Employment, Education and Training. In short, one of the more productive outcomes of the challenging training context of the 1980's has been the replacement of eight discrete TAFE systems with a more integrated set of national policies and more coordinated training arrangements.
CHAPTER 3 THE TRAINING IMPLICATIONS OF AWARD RESTRUCTURING

Federal Industrial Relations Commission Decisions

3.1 In a decision in the August 1988 National Wage Case, the Federal Industrial Relations Commission determined that wage increases which resulted from the August case would be conditional upon unions formally agreeing to participate in a review of industrial awards "to improve efficiency of industry and provide workers with access to more varied, fulfilling and better paid jobs". It was established that these reviews would be guided by the centrepiece of the new wages system, the Structural Efficiency Principle.

3.2 The August 1988 decision was of particular significance to Australian training organisations in that it linked salary increases with the acquisition of higher levels of skills, thus providing for skill-based career paths. The acquisition of higher level skills and a broader range of skills has implications for both the total amount of additional training likely to be required and the total cost of such training.

3.3 In its 25 May 1989 announcement, the Commission confirmed that award restructuring would remain the basis of the current wages system. In addition, it agreed to a major restructuring of Australian industrial awards and working conditions.

3.4 Award restructuring has been proceeding faster in some industries than others, with modest progress being made overall to date. Nevertheless, as the restructuring of industrial awards links skill levels with pay rates, training will increasingly become an industrial relations issue. Indeed, training is likely to become a key agenda item in future negotiations between employers and unions about conditions of employment.

3.5 In its submission to the Review, the Commonwealth Department of Industrial Relations advised that:

Most industries engaged in award restructuring have dealt with the training issue by including training provisions as one component of their award that can be determined by enterprise-based consultative committees, normally under the flexibility provisions. Accordingly, the vast majority of industries that have not had a history of training are currently in the process of developing agreements.
3.6 In particular, the Department of Industrial Relations cites the case of the Metals Industry Award 1984 - Part 1, into which, on 20 March 1990, "Section 6C - training" was inserted. This read, in part:

(a) The parties to this award recognise that in order to increase the efficiency, productivity and international competitiveness of industry, a greater commitment to training and skill development is required...

3.7 Section 6C also allows for the establishment of enterprise training committees (composed of equal employer and employee representatives) for dealing with a range of training issues. Although this reinforces the expanded role that training will have in the industrial relations arena of the future, it must be stressed that the metals model, although a pioneering approach, is not applicable to all industries.

3.8 Notwithstanding the above, it is important to place into perspective the influence of award restructuring on training. Training has been occurring, is occurring, and would have continued to occur regardless of the success or otherwise of award restructuring. The demand for training had exceeded supply in many areas prior to the commencement of the first award restructuring negotiation and was likely to have increased over time in any case due to the influence of a wide range of competing forces impacting upon firms, such as the development of new technologies, changing work organisation, commercial pressures and, indeed, the Training Guarantee legislation.

A Refocussing of Training

3.9 Nevertheless, award restructuring has resulted in a refocussing of training, in a number of areas. The widespread move towards competency-based training is a response to industry's desire to define clearly skills/competencies and to use these clearly defined skills/competencies as the basis for both on and off-the-job training.

3.10 With competency-based training firmly placed on the training agenda, attention is being focussed on different, but related, training initiatives such as modularisation of curriculum, self-paced learning, computer-assisted instruction and computer-managed learning. The use of such initiatives will complement greater reliance on on-the-job training.
"Put simply, this industry is not about to start laying bricks with superglue instead of mortar or replace welding as a method of joining steel components. The same construction methods will prevail and thus the competencies required to undertake the given tasks will remain unchanged. What will change is the manner in which those competencies are achieved and the way in which individuals form their skills.

Quote from the Construction Training Council (N.T.) submission

3.11 In order to encourage the more flexible use of personnel and to broaden the skills repertoire of industrial workers, the trend towards multi-skilling is being translated into many new industrial awards. This trend has implications for how training is delivered and how much training is to be delivered. Award restructuring, is also likely to give greater emphasis to operative or production level training, helping to reduce the trade training bias of the current arrangements.

3.12 An additional potential influence on how much training is to be delivered is the flow-on effect which could occur from award restructuring-induced training. Such training could result in the development of a training culture which values and encourages further training. In some industries, this may flow through, resulting in a general increase in participation in training. An example of this can be found in Whyalla, South Australia - where enrolments in mainstream courses in mechanical engineering increased by 258 per cent between 1989 and 1990, as a result of increased awareness of the importance of training following award restructuring in major Whyalla industries. This increase is far in excess of what could be expected as a direct result of award restructuring.

Skills Recognition, Certification and Accreditation

3.13 Depending on the outcomes of industrial relations negotiations regarding training, the issues of skills recognition, certification and accreditation will need to be addressed by the appropriate government agencies.
3.14 As noted in Chapter 2, certification and accreditation are the responsibility of the States and Territories. Systems of accreditation, in particular, vary considerably from State to State in terms of the processes used, the courses that are required to be accredited, and the "independence" of the accrediting authority. In some cases, the systems are criticised as being bureaucratic, unresponsive and expensive.

3.15 Systems of accreditation are designed to help ensure the maintenance of standards by determining the adequacy of facilities, staff qualifications and the curriculum to be used. They also help to ensure consistency in the use of terms such as associate diploma and diploma.

3.16 With moves towards greater use of competency-based training and more on-the-job training, there is a need for all State/Territory authorities to consider issues such as skills recognition, certification and accreditation. Skills recognition is accepted as a means of giving credit for skills gained, regardless of whether gained on or off-the-job. Accordingly, there will be a growing need to ensure that skills recognition, certification and accreditation processes are more output oriented. This would, in turn, be likely to reduce system rigidities and lead to greater efficiency and responsiveness. As Sweet concludes...

... the difficulties that exist in having competencies acquired within the workplace flexibly credited within TAFE qualifications lead to public costs being higher than they need be, as they necessitate students needlessly spending time replicating skills that have already been acquired. (Sweet, 1990)

3.17 As a general principle, both industry and private providers will want fair and reasonable access to accreditation systems in order to be able to ensure appropriate recognition of in-house or non-government training. The desire for recognition is an integral feature of moves towards skill-based industrial awards.

3.18 In its submission to the Committee, the Business Council of Australia notes that a key policy issue in creating a competitive market for the supply of training is

to design systems for the recognition and credentialing of training which acknowledge the legitimate aspirations of individuals to have their skills recognised without introducing costs and inefficiencies into enterprise-based training. (BCA, 1990)

This requires a balance. Arrangements for recognition of skills should be available when needed. However, these must not become overly regulated and expensive so as to restrict enterprise-based training unnecessarily.

3.19 Skills recognition and accreditation is presently a cumbersome and expensive process, not the least because of the duplication that exists across
States and Territories. An increase in the quantum and incidence of training resulting from award restructuring will lead to a rise in skills recognition and accreditation costs, although there are likely to be some corresponding savings.

3.20 Firstly, the rise in demand for accreditation could encourage States and Territories to review their accreditation procedures with the intention of making them more responsive and efficient. Secondly, States and Territories may choose to increase any charges for such a service. Finally, industry accreditation may gain wider acceptance and status, reducing the potential demand for State/Territory accreditation.

3.21 The Committee's view is that there is a strong case for national accreditation arrangements to help defray likely increased costs. There are also other advantages in national accreditation. For example, many companies which operate nation-wide require a system which recognises qualifications on a national basis. Furthermore, workers require portability of qualifications across States and Territories, particularly those employed in the licenced trades, such as electricians.

"The need for a national framework and the advantages of such an enterprise will not need explanation for those involved in the industry and training sector who have witnessed the piecemeal development, duplication, confusion and parochialism that have characterised the developments in recent years. Award restructure demands portability, articulation and the recognition of skills across award areas. Only a national scheme will bring this about."

Quote from Claremont Education Park submission

3.22 The establishment of the National Training Board is a move toward national consistency with respect to skills standards. A corresponding move to an independent national system of accreditation, that is, a system established by the State/Territory and Commonwealth Ministers and recognised and supported by industry and unions, would seem to be a logical evolutionary step. This could be achieved, for example, by the establishment of a company limited by guarantee similar to the NTB.
The Training Costs of Award Restructuring

3.23 As noted in Chapter 1, the Committee commissioned a study to provide advice on the additional training costs associated with award restructuring (Green and Mills, 1990) in the context of:

- existing "baseline" studies available to the Training Costs Review Committee;
- submissions received by the Committee;
- consultations undertaken with key industry parties and independent experts.

3.24 In the study on the training costs of award restructuring (Green and Mills, 1990), it was concluded that:

- the training demand in Australia will increase substantially due to award restructuring and a range of other factors;
- a widespread requirement for vocational training systems in Australia to expand their capacities, and generally undergo changes in structure, flexibility, efficiency and responsiveness to meet community needs, will have a significant impact on the supply of training;
- the Pappas Carter Evans and Koop study (PCEK, 1990) and many submissions indicated that internally coordinated industry-funded training was expected to increase substantially;
- it is likely that there will be a corresponding increase in demand for the external provision of courses as well as curriculum development, quality assurance and trainer training.

3.25 A study on the pace of award restructuring (Sloan and Wooden, 1990), sampled 309 BCA workplaces to assess the progress, implementation and outcomes of changes negotiated under the Structural Efficiency Principle. Despite a response rate of 51 per cent, the study was noteworthy in that it represented employers' views. It found that over 90 per cent of those introducing new training arrangements expected training expenditure to increase during the next two years by an average of 20 to 25 per cent. Most of this is to be provided either in-house or on-the-job.

3.26 Work undertaken for the Committee on the training market (PCEK, 1990), estimates that by 1995, industry expenditure on training in Australia will increase from $1.3 billion to $1.9 billion in 1989 constant dollars, an increase in training expenditure of about 50 per cent over the next five years.
3.27 Green and Mills concluded that it was not possible to give a precise or definitive answer to the question of how much extra training will be involved as a result of award restructuring, or what it will cost. They noted that no submission argued to the contrary, but indeed a number of key submissions supported this conclusion.

3.28 Many submissions from industry and trade unions supported the view that it was too early to assess demand or costs. The Australian Chamber of Manufactures (ACM) submission noted that until many key issues were addressed

the costing exercise will not provide any clear or useful indication as to likely resource requirements.

The BCA predicted that

the inquiry will not be able to estimate with any precision the amount of additional training that will be required in the future.

The MTIA advised that

as an industry we are not yet in a position to make any detailed assessments of future additional training costs that can be validated and any estimates would be rather speculative. Nor do we believe the COSTAC Study... provides a reliable assessment of the costs involved.

3.29 Nevertheless, Green and Mills conclude that overall training costs will depend on the size and nature of the demand for training which will arise from award restructuring, together with such issues as competitive factors, the impact of technological change and the "earnings profile" of industries. They note that the demand for externally provided training will depend on the speed and magnitude of award restructuring and the proportion of training undertaken on-the-job and in-house. The PCEK study notes that award restructuring is likely to have a varied impact across and between industries.

3.30 With respect to the future role of TAFE, Green and Mills outlined a range of views expressed in submissions and consultations:

- The ACTU said "TAFE would not be able to provide all the training required by industry, nor should it. However, it should "continue to deliver a great deal of training, operate as a monitor to ensure ...standards... (and) develop or expand fee for service".

- The BCA stated "The market for TAFE's commercial services will be those enterprises which either individually or in industry groups wish to have TAFE provide training in generic skills applicable to a number of enterprises or enterprise-specific skills."
The MTIA called for substantial reforms to TAFE systems, in particular, "an effective and integrated management approach", while ACM noted that in some industries, such as timber, TAFE was "not perceived as being capable of delivering the industry's needs".

Several industry submissions, including those of the BCA, ACM and MTIA, warned that a distinction needed to be drawn between TAFE's role as a training provider and as a regulator, to ensure that there were no artificial constraints on the development of the private training sector. These submissions argued that where industry needed to rely on external training providers, strong and flexible responses would be necessary from both TAFE and private providers.

Submissions also argued that there was substantial capacity to improve the efficiency of TAFE and make major savings.

The BCA argued that where governments wished to boost certain skill supplies through subsidisation, that subsidy should be transparent and directed to the successful competitor, whether it be TAFE or a private provider. "If TAFE is heavily subsidised, or has a monopoly on the receipt of government assistance to students, these policies will prevent private training providers competing on fair terms. This will inhibit the development of the training market. It will also lead to misallocation of resources as training is located, not where it can be done most effectively, but where it can be done at subsidised rates. Another way of saying this is that there will be a large cost to government if it provides the incentives for the cost of additional training to be shifted to it".

3.31 With respect to the impact of training demand on costs to TAFE over the next two to five years, the study concludes that the costs will be considerably lower than the projections made in the study for COSTAC (1990) and that they are likely to be closer to the cost range suggested in the DETWA (1990) study.

3.32 The study by Green and Mills suggests that the weight of evidence available to them reveals that training costs will be substantially affected by award restructuring, but that the impact will be felt within a time frame extending to five years, rather than two years. It predicts that individual firms will increase training substantially when the impact of award restructuring is felt. However, in general, progress will remain slow and uneven. It also notes that the assumptions of studies and submissions varied widely, but it accepted that there was unlikely to be an immediate upsurge in training demand. As a consequence, predictions that there was likely to be a "hump" in initial costs in the short term are unlikely to be proved correct.
3.33 Green and Mills note that a high proportion of future training expenditure is likely to occur within the enterprise, and that skills recognition and accreditation arrangements will affect the nature and magnitude of this training. Furthermore, they note that externally provided training will comprise a "minor proportion" of the total, and that TAFE will not provide all of this. With respect to the additional training by TAFE, they conclude that the cost of such training may have a limited impact on TAFE if such training is provided on a fee-for-service basis. They note that the scope for private training is likely to increase.

3.34 Clearly, the extent to which training occurs within an enterprise will depend upon a number of factors, including the location of the enterprise relative to external training providers, the cost of external provision, the nature of the enterprise and the size of the enterprise. In States or Territories with a high proportion of small businesses, such as Queensland where 90 per cent of all businesses employ less than 10 employees, the reliance on external provision, particularly TAFE, may be higher than in States or Territories with a larger proportion of employees working in large firms. It is reasonable to conclude that such a higher reliance on external provision will also apply in rural communities.

3.35 At this time, there are little data to indicate the extent to which small business will train in-house. It is possible, however, with the potential for savings in travelling and other costs, with likely improvements to skills recognition, certification, accreditation and articulation arrangements, and with the increasing availability of good quality training manuals and materials, including computer-managed learning packages, small business may choose to embrace in-house training to an increasing extent.

3.36 Green and Mills caution that the various assumptions about training demand that are made in their report have been made on the basis of current expenditure per training unit. It is suggested that such assumptions could change if the cost structure were to be varied, due to factors such as the introduction of a fees regime for individuals in TAFE.

3.37 They went on to note that several submissions had emphasised the lack of definite information available on the training costs associated with award restructuring and had outlined proposals for future work. The BCA, ACTU and ACM all discussed the uncertainty associated with what constitutes "generic" versus "enterprise-specific" training. Green and Mills concluded their report by suggesting that the relationship of this categorisation to the allocation of costs of training remains one of the most substantial areas of uncertainty clouding the effective conclusion of any analysis of likely training costs. (Green and Mills, 1990)
3.38 Finally, an issue which is of particular concern to the Committee is the potential for large increases in the total training costs to firms because of arrangements associated with wages and other employment conditions while workers undergo training. If workers are to be paid overtime while training, for example, total training costs could rise significantly. This could result increasingly in a reduction in the number of people trained, the amount of training per person, or both. Given that the funds available to industry to train are limited, it is of concern to the Committee that payments such as this will significantly reduce the net amount a firm can spend on the actual training of employees. While the Committee recognises that such matters will be determined through the industrial relations process, it nevertheless cautions against arrangements which could reduce overall training capacity.
CHAPTER 4  RESPONDING TO EMERGING TRAINING DEMANDS

4.1  Training is taking on an economic and industrial significance that could not have been anticipated only a few years ago. The pressures of structural adjustment have brought to the fore the issue of training and its contribution to the process of industry reform. As with any process responding to a new demand, a reassessment of existing arrangements is necessary to ensure that both existing and new demands are being met in an efficient and equitable manner.

4.2  This chapter brings together the key issues touched upon in earlier sections of the Report, outlines the Committee's views on them and sets out the elements of a response. The discussion below takes place under several headings, each related to a key issue. The Committee concludes that the complex range of issues and the necessary responses to them foreshadow a new set of arrangements and responsibilities for those involved in training.

Shift in Industry and TAFE Training Provision

4.3  Submissions to the Committee and the consultants' reports indicated that most of the additional requirements for the delivery of training arising from award restructuring will be addressed through the workplace. This implies that the responsibility for training delivery will shift marginally towards industry. Industry will clearly spend more on training as award restructuring "bites" and as other factors influence enterprise training decisions.

4.4  This will be particularly the case for most industry and enterprise specific skills required by new award arrangements. Moreover, improvements in efficiency and quality could also result from a shift of delivery for more general skills training (for example, apprenticeship), particularly as this is increasingly linked to industry and workplace requirements. Sweet refers to the:

    strong tradition in Australian vocational education and training of using a "reproductive" approach to curriculum construction. This is an approach which seeks to determine the skills required in a particular occupational classification, and to reproduce these within the curriculum so that all or most are able to be acquired through formal off-the-job instruction. (Sweet, 1990, p.242)

Both costs and quality are influenced by this traditional approach.
4.5 Each area will need to be examined on its merits, but overall, the Committee envisages that more delivery of training, both general and specific, should be provided on-the-job or in the workplace. TAFE should expand its resources more towards support and development and related training activities. These include assistance with skills recognition, skills audits and training needs analyses, assistance with industry and enterprise training plans, curriculum design, packaged learning kits, trainer training, training support and consultancy.

4.6 This is not to suggest that TAFE will move out of its direct teaching role. Rather, a modest and gradual change in the balance between training support and training delivery will enable the resources of TAFE to be used to greatest effect.

4.7 In addition, TAFE will continue to provide assistance to those people seeking skills to enter the workforce. An increased provision of training within industry must not result in a widening of the gap between those who have jobs (and thus access to training) and those who do not, or in a neglect by TAFE of its mainstream responsibilities to the community. In this context, TAFE has an important role to play in providing broad-based industry training. The general role of TAFE in the provision of preparatory, remedial, and general adult education will also remain part of its core activities.

"The TAFE system in each State should continue to operate as a public education provider of both technical and further education. Its charter should include providing access to technical and further education to groups disadvantaged in the labour market."

Quote from Australian Council of Social Service submission

4.8 The Committee stresses that the shift is in the balance of training activities - not a passing of responsibility from the government sector to industry. The new responsibilities taken on by industry, for example, will contribute to an expansion of overall training activity meeting new training demand. The resources freed up as responsibilities shift from the government sector will be used to carry out additional or new training activities. Governments will not do less - indeed the Committee argues that they must do more to meet demand and encourage industry to do likewise - but the mix of provision will be different.
4.9 The shift has the potential to give industry a far greater influence over and ownership of the training process, the content of training courses, the nature of provision and the outcomes. It will have this greater influence either directly through its own delivery of training or through its market power as a purchaser of training services from TAFE, higher education, private trainers and other parts of industry.

4.10 As a consequence of such a change, TAFE will need to change the balance of skills held by its own staff and offer new career opportunities accordingly. This need has been recognised to some extent in research being carried out by the TAFE National Centre for Research and Development which looks at the skills of TAFE staff and possible new directions in TAFE staff development. These issues are discussed in paragraph 4.101 below.

Literacy and Communications Skills

4.11 In discussing the context in which the present Review takes place, reference was made to a pressing need to enhance the literacy and numeracy skills of the workforce, both Australian born and those who have migrated to Australia from a diverse variety of cultures. Many of the submissions received by the Review gave vigorous support to this priority.

4.12 The Committee accepts the view that literacy and related skills are needed not only for the immediate safety, well-being and productivity of the workforce but also as an essential basis of further learning. In particular, self-paced, competency-based and computer-assisted instruction, which are emerging as important tools in both enterprise training and TAFE courses, require the ability to follow and interpret written, verbal and numerical information.

4.13 While noting the literacy needs of migrant and non-migrant workers, the Committee is especially concerned that skills acquired overseas may not be recognised or used if the workers who possess these are not sufficiently fluent in written and/or spoken English. Neither the community nor individual enterprises can afford this waste of human resources.
"English literacy is often as much a problem as deficiencies in trade skills. Many plants visited in the course of this study have over thirty nationalities at work and the consequences of this for team-building and training, for example in quality control, appear substantial...

"50 percent of our employees are functionally illiterate"
Senior executive, car manufacturer

"We have 34 nationalities. Over 50% of our workers have significant communication problems"
Plumbing supplies manufacturer

"Award restructuring in manufacturing industry will fall flat on its face without more basic literacy training programs"
National Food Industry Training Council

Quote from Australian Manufacturing Council submission The Global Challenge

4.14 The Committee has been impressed by argument in submissions that literacy should not be considered a skill that is either possessed or not possessed, or as a deficiency to be remedied by a single process of instruction. Rather, progression along a career path requires the on-going development of a range of increasingly complex communication skills to meet the needs of advanced technical or social environments. Communication skills therefore require progressive upgrading in the same manner as technical and commercial disciplines, and will normally be integrated with training in technical skills.

4.15 The provision of basic literacy and numeracy skills, including those needed for a safe and productive working life, is pre-eminently an obligation of government. A government which pursues an active immigration policy must accept special responsibility for the English language education of new settlers. The Committee believes that it is incumbent on governments, particularly the Commonwealth, to make a major financial commitment to vocational literacy and numeracy. Within this framework, industry should be expected to contribute to communications modules related to skill development on the same basis as other skill training.

4.16 In paragraphs 4.105 to 4.114, the Committee raises the issue of a re-ordering of priorities for funding under the Commonwealth Rebate for Apprentice Full-time Training (CRAFT) and Australian Traineeship System
(ATS) programs which would have the effect of increasing the public funding of literacy programs. However, it would take some time for any such changes in programs to release funding which could be applied to literacy. In the interim, at least, other sources of funding will be required as the need for some additional funding is immediate; in particular, the need for trainer training. The Commonwealth's present review of languages and literacy policy will need to take this into account and develop a plan for the phased expansion of literacy and ESL programs.

4.17 Information on the role and function of adult and community education providers has been provided by the Australian Association of Adult and Community Education, with special reference to literacy skills (AAACE, 1990). The Committee considers that this sector can play a much more substantial role in this area. However, its need for resources to train its own trainers and mount effective courses will need to be considered by the Commonwealth in the course of its review.

Training Guarantee and Training Rewards

4.18 A number of submissions made proposals for alterations to the Commonwealth's recently introduced Training Guarantee. Generally it was proposed that the percentage of payroll designated as required expenditure be increased or that the threshold at which the Guarantee becomes operative be lowered or both. Some submissions raised issues relating to the determination of what constitutes eligible training. On the other hand, the Committee is aware that many in business oppose the use of an externally imposed training requirement. The major benefit of legislation may well be the heightened awareness of training it creates.

4.19 The Committee is also aware of community and industry concerns that some employers enjoy a "free ride" on other's training efforts and that some firms lack a proper appreciation both of their obligations to share in the national training endeavour and of the benefits to be derived from a training culture within the enterprise. However, as the Training Guarantee is of such recent origin, and a review of its operation is scheduled for 1992, the Committee felt it should make no finding on the efficacy or appropriateness of the Guarantee. The Committee notes that consideration may need to be given to the minimum required training expenditure and threshold level in the review.

4.20 Of greater importance, in the Committee's view, is the need to develop labour markets within and among enterprises which offer rewards for skill acquisition. This has not been common practice in Australian industry and has resulted in a widespread loss of skills to industry. For example, the ABS survey of career paths of persons with trade qualifications shows that, of trade qualified persons in the workforce in 1989, over 39 per cent had left their trade and that,
of these, 24 per cent had done so because of pay and career factors, while a further 32 per cent expressed more general dissatisfaction with their trades as a job (ABS, 1990c).

4.21 A beneficial outcome of the debate which led to the establishment of the Training Guarantee was the development of improved systems for gathering data on training effort. The Committee believes that this is important to provide a sound basis for the review of the Training Guarantee and for the further development of training strategies.

The Balance of Training Responsibilities and Portability of Skills

4.22 One aspect of the change in the balance of training provision is the issue of enterprise specific training in contrast to training for general and portable skills. Allied to this is the question of whether Australia's labour market will move further towards a position where enterprises will create their own "internal" labour markets with career paths and specific training.

4.23 The submission from the BCA, which represents large firms with relatively high levels of investment in training, called for an increased focus on enterprise-based labour markets to allow greater flexibility in work methods, a higher degree of common purpose and commitment, improved dispute settlement procedures and incentives for performance. Support for this focus did not extend to the creation of restricted internal labour markets with all of the inflexibilities which this would entail.

4.24 Other submissions stressed the need for training to provide credentials which were recognised across enterprise, industry and State boundaries. The recognition and portability of qualifications was seen as an essential pre-requisite of award restructuring and its approach to skill levels as recognised in industrial awards. Similarly, the Whyalla College of TAFE commented that one major employer had insisted that competency-based training should, wherever possible, use modules accredited by TAFE.

4.25 While distinctions between skill types assist an understanding of some skills issues, including the type of skills that governments should seek to promote as a priority (broad, generic and portable skills), they do not enable a clear distinction between what government, industry and individuals should take responsibility for and therefore fund.

4.26 The Committee expects the bulk of industry provision to address industry and enterprise specific skill requirements. The bulk of government funded activity will address broader, general skills. The Committee wishes to stress, however, that this can only be a rule of thumb - a general principle for planning,
not a hard and fast rule. There will be cases where industry will choose to
engage in training often considered to be general and portable, because it will
benefit the industry or enterprise concerned. Governments, on the other hand,
may choose to provide training in advanced, specific skills as a means of
assisting a particular industry or enterprise.

4.27 In the Committee's view, further development in Australia of
enterprised-based labour markets will depend on the creation of real career
paths within enterprises. Then, and only then, will workers be well advised to
opt for higher proportions of enterprise specific training in their training
package. Such arrangements already exist in many enterprises - banks are a
prime example, as are most areas of the public service. The problem identified
by the BCA is most apparent in the trades, where career paths have been
noticeably absent.

4.28 The Committee considers that training provision should be largely
demand driven. To the extent that enterprises want more specific training, it is
reasonable that they should meet the cost. The training needs of industry must
be taken into account in the provision of more general training, to ensure its
continued relevance to enterprises and the labour market. The particular blend
of training provided in different cases will depend on the arrangements for
training negotiated in the context of particular awards or other workplace and
industry negotiations. These will reflect the extent of career paths available to
workers internally and externally. Employees, through their unions, have
already expressed views on the need for an approach which balances individual
work needs and career aspirations with enterprise requirements.

4.29 In this context, there is a related matter which impinges upon both the
industrial relations and the training agendas. It concerns the responses which
are required to overcome skill shortages which emerge in the labour market. At
least some of these shortages occur because of high turnover of skilled workers,
and wastage from skilled occupations and not because of an overall lack of people
holding skills. In these situations, it is not reasonable for the training system to
be expected to expand capacity at public expense. More comprehensive solutions
need to be found. These include reviewing working conditions, remuneration and
other factors including the image and social status of much work in industry,
especially manufacturing industry, which contribute to high turnover and
wastage. It can also involve assisting skilled people, particularly women, to
return to the workforce through short courses of refresher training.

Training Regulation and Quality Assurance

4.30 Some areas of training, such as apprenticeships and traineeships, are
subject to government regulation, designed to maintain standards and ensure
quality. Formal TAFE provision is also subject to quality assurance through
regulatory mechanisms such as the State-based accreditation systems. In other areas industry and professional bodies play a regulatory role, while in a host of cases no regulatory or quality assurance mechanisms are in place. Skills recognition, accreditation and certification have been discussed in Chapters 2 and 3.

4.31 Major objectives of the formal regulation of training are:

- to ensure that training provided is of good quality and meets the standards required to enable the trainee to perform new tasks; and
- to ensure that the skills gained through training are formally recognised, enabling appropriate portability of skills.

4.32 Several submissions recognised the valuable role that regulation has to play in these respects. The trade union submissions, in particular, stressed the value of a quality assurance role for individuals taking part in training and also indicated the importance they attached to the portability of qualifications.

4.33 The danger inherent in the regulation of training is that it can too easily become over-regulation. The BCA's views on certification reflect this concern. In addition, regulatory requirements can result in duplication. For example, a significant training load is placed on TAFE because training regulations require a specified number of hours of TAFE training to be provided, regardless of the skills previously acquired by apprentices/trainees or of the on-the-job training they receive.

4.34 The Committee supports moves to create a more diverse market for training. In this context, it notes that rigid regulatory requirements that demand substantial TAFE involvement can distort the market, unfairly and inefficiently promoting a TAFE market advantage. On the other hand, as Sweet points out, a degree of regulation can assist the operation of the market. For a training market containing a wider variety of providers to be "cost effective, skills acquired in both public and private institutions need to be able to receive common accreditation" (Sweet, 1990, p.243).

4.35 The Committee's view is that while regulation plays an important role, it needs to be applied with a light hand. The need to ensure quality and enable people's skills to be widely recognised are important concerns. There is a need to ensure, however, that the new training arrangements emerging from award restructuring do not lead to an increase in government regulation. The Committee recognises that these details will be worked out in the industrial relations arena, but takes the view that they should be treated carefully, with a concern for the main objectives of training regulation and an eye on costs.
4.36 These regulations could have both cost and savings outcomes. New mechanisms for skill recognition and accreditation will incur additional cost, especially in the developmental stages. They could promote greater efficiency in training to the extent that they identify and recognise skills present in the workforce, reducing duplication of effort and encouraging better training resource utilisation.

"...notwithstanding the significant costs associated with skills assessments, there would be greater costs involved in not assessing and accrediting skills, and instead requiring workers to complete formal training for skills already possessed."

Quote from Western Australian State Government submission

4.37 If costs are to be kept to a reasonable minimum then every care will need to be taken to avoid unnecessary regulation by governments or statutory agencies with its attendant administrative cost. However, in those areas where regulation is required there is a persuasive case for a national approach to be taken so that interstate transferability is encouraged and resources are not wasted through excessive duplication.

State, Territory and Commonwealth Arrangements

4.38 As in many areas of government activity and service delivery, the issue of State, Territory and Commonwealth relationships is now a major item on the change agenda. The Prime Minister's 19 July address on this issue, Towards a Closer Partnership, and the proposed special Premiers' Conference in Brisbane, have focussed special attention on Commonwealth/State/Territory issues.

4.39 Mr Hawke called for achievable proposals to improve Commonwealth/State/Territory relations. He cited Australia's railways as a prime example of the need for better national consistency and co-ordination. What applies to trains applies equally to training. It is the Committee's view that State/Territory and Commonwealth governments need to enter into a new arrangement which provides a greater national focus and national consistency for training and less duplication of effort.
4.40 The establishment of the National Training Board (NTB), which is a focal point for the development, participation and implementation of national skill standards, is an important start, but only a start.

4.41 Development of curriculum, formal recognition of skill, accreditation, recognition of training providers and arrangements for the certification of competencies remain State responsibilities without a formal national mechanism for consistency. This could result in Australia's training system retaining, as with the railways, separate State "gauges" with the consequent dangers of inefficiency and lack of portability of qualifications.

4.42 The Committee strongly supports moves towards greater national consistency in training development, delivery and regulation, recognising the significant achievement made already with the establishment of the NTB. Further reform should seek to build on that achievement while allowing the NTB time to complete its task of developing agreed national skill standards. This is critical to the development of national consistency in other areas - skill standards are the foundation of national consistency in curriculum, recognition of skill and accreditation.

Training Demand and TAFE Capacity

4.43 While accepting that the greater part of additional training generated by the process of award restructuring will occur in and be provided by industry, the Committee is concerned that the TAFE system lacks sufficient capacity to meet the demands presently facing it and that both the direct and indirect training demand arising from award restructuring, add to the already serious problems of unmet demand.

4.44 It is the Committee's view that governments' attitudes to the resourcing of TAFE are anomalous and unsatisfactory when compared to their support of school-level and higher education. Schools are expected to accept all applicants and are resourced to do so. Moreover, it is now a widespread objective of governments to encourage all young people to complete the full twelve years of the school curriculum. Similarly, governments support the view that all qualified applicants should be able to secure a place in higher education institutions. Evidence that this goal was not being met was the spur which led the Commonwealth to far-reaching reforms, including the Higher Education Contribution Scheme (HECS), aimed at significant expansion of the higher education system.

4.45 The Committee believes that an equal sense of urgency should apply to the development of the TAFE system. Measuring unmet demand in TAFE, as in higher education, is difficult in concept and in practice, but the annual survey
conducted by the Department of Employment, Education and Training indicates that in 1990 more than 100,000 Australians were unable to enrol in the TAFE course of their choice. This is a matter of real concern.

4.46 This problem is likely to grow unless action is taken to enhance the capacity of the TAFE system. Award restructuring will place (and in many cases is already placing) additional burdens on TAFE institutions. Increased awareness of the career benefits of post-school qualifications, itself partly a consequence of award restructuring, is already being felt in TAFE enrolments in some courses and localities. Training needs arising from new technology act in the same direction. The Commonwealth's emphasis on training opportunities for the long-term unemployed and the disabled will have a direct effect and, desirably, will encourage other disadvantaged groups to take advantage of training opportunities. More generally, the role of TAFE in enhancing the employability of persons marginally attached to the workforce, illustrated in Powles' analysis of the TAFE student body, will be an important source of continuing demand as will be TAFE programs removing limitations imposed by gender segmentation and other labour market barriers. All these factors are likely to add to the existing shortfall of TAFE places.

4.47 The Committee recognises that, as in higher education, any expansion of the system's capacity will require contributions from system users as well as from government. These contributions will come, as they do now, from fee-for-service programs and from student contributions. The Committee notes, however, that inappropriate use of these sources may limit the benefits intended to be gained. It would be wrong, for example, for TAFE systems to divert so much of their resources to commercial programs for industry that their ability to maintain a mainstream service is impaired. In relation to fees and charges paid by students, the Committee notes an important finding of the Powles' analysis that equity issues can arise in all areas of TAFE activity and not only in those designated for the disadvantaged.

4.48 While the Committee believes that direct contributions from students should not be set at a level which create severe barriers to access, it recognises that a moderate level of charges may engender a sense of commitment. Student withdrawal from TAFE courses, while varying across programs and locations, is a serious concern, especially when attempts are being made to expand system capacity. Frequently, high rates of attrition are evident in the early stages of courses and even subjects. An appropriate level of student contribution can lead intending enrollees to consider their choices more carefully and motivate them to persevere with choices when made. On the other hand, fee levels which are inappropriately high or inflexible can add to the financial difficulties which have been identified as one of the causes of student withdrawal.
4.49 The question of course completion and attrition emphasises the point that an enhancement of TAFE system capacity must be viewed not as an increase in course places so much as a strengthening of the system’s effectiveness in producing training outcomes. The Committee is concerned that insufficient attention is paid in the TAFE system to the production of reliable data on completion rates, although it is acknowledged that this is a more complex matter in TAFE than in higher education. The Committee notes research on TAFE attrition rates, such as that undertaken by the TAFE National Centre for Research and Development (for example, Parkinson et. al, 1987), and believes that TAFE institutions too readily accept the view that withdrawing students leave because they have gained the expertise they sought when the evidence suggests that withdrawals have a much wider range of causes.

4.50 In particular, the Committee argues that the TAFE system’s commitment to access should not prevent the proper use of student selection procedures. It is unfair to the students involved, as well as a waste of system resources, to allow enrolment in courses in which there are limited prospects of success. Where course places are limited, both equity and efficiency considerations require the adoption of clear and clearly relevant selection criteria.

4.51 If TAFE system capacity is to be increased as suggested by the Committee, it is essential that TAFE agencies attend to these issues. Equally, it is important that course structures be reviewed in relation to length, essential knowledge and internal articulation. The Committee notes considerable variation in the hours of instruction required for courses at the same academic level and considers that, while the technical needs of different disciplines vary, programs could well be pruned, particularly if there was greater scope to offer specialist topics as elective modules, clearly articulated to the core qualification.

4.52 More generally, the provision of additional resources to expand the TAFE system must be accompanied by initiatives to improve the efficiency of TAFE training. An important area of attention is the optimal use of the TAFE capital stock represented by buildings and equipment. The efforts of State and Commonwealth governments over the last fifteen years have led to a striking improvement in the quality, quantity, flexibility and location of colleges, equipment and support facilities. While TAFE has achieved better utilisation rates than more traditional education institutions, especially schools, any expansion of student places will call for even more vigorous attempts to achieve maximum use of facilities within the limitations of feasible student attendance patterns.
"The capacity for savings is graphically illustrated in the area of apprenticeships...Courses for [metal and engineering apprentices] are offered at 31 out of 35 colleges in the State [Victoria] - the same course being duplicated over and over.

Quote from the Metal Trades Industry Association submission

4.53 Efficiencies and hence transferable savings can also be achieved in TAFE by the avoidance of duplication. This is especially important in training provision, where TAFE institutions should not repeat training achieved or available in industry. It is also relevant to organisational and administrative arrangements. TAFE central administrations should not undertake functions better performed at regional or college levels, while individual institutions should not duplicate activities better performed at system level. Similarly, the Commonwealth should not intrude in cases of State responsibility and expertise. In many cases, as the Committee argues throughout this Report, duplication and tension in Commonwealth/State relations can be avoided by adopting a genuinely national, cooperative approach.

Employer and Employee Payment for Training

4.54 Award restructuring provides an opportunity to review the way in which training decisions are taken in the context of employee/employer relationships. Training leave, apprenticeship and traineeship wages, decisions about who will get access to training and other award conditions are all under consideration in the industrial relations arena. They are outside the terms of reference of this Committee. Nevertheless, they are vital in any determination of who pays for training.

4.55 The Committee notes that both employers and unions broadly accept that much of the enterprise-specific training which arises under award restructuring will be undertaken on-the-job or in-house and that employers will meet the cost. This is likely to occur in one of three ways, or in combination:

- enterprises will deliver their own enterprise-based training program;
- enterprises will purchase training products from external training providers, including but not exclusively TAFE;
enterprises will meet the cost (fees, charges and materials) of individual workers attending external training courses at TAFE and elsewhere, where this is agreed at the enterprise level and/or required by restructured awards.

4.56 These likely arrangements are consistent with and extend current practice. One of the studies conducted for the Review (State Training Board of Victoria, 1990) indicates, for example, that presently 50 per cent of TAFE colleges carry out some form of fee-for-service activity for industry, raising some $71 million in total in 1989/90. Data from the ABS survey on how workers get their training (ABS, 1990a) show that already in many cases employees have fees, charges and other external education costs met by their employers.

Fees in TAFE

4.57 This section concerns the issue of fees and charges for mainstream TAFE vocational and preparatory courses. It does not look in detail at fees and charges for Stream 1000 (recreational courses). Such courses are generally provided on a cost recovery basis and their provision is outside the Committee’s specific interest in training related to award restructuring. The Committee notes Powles’ comments that Stream 1000 courses as they currently exist in many States provide a point of access for some to education and training and it is aware that, in some cases, vocationally oriented courses are conducted in that stream. In the Committee’s view these are arguments to rationalise Stream 1000, leaving it as a genuinely recreational stream while redefining some of its courses within TAFE’s preparatory and vocational activities. Nor is this section concerned with those TAFE activities which are provided on a commercial basis to industry. These are discussed in paragraphs 4.88 to 4.101 below.

4.58 In its issues paper, the Committee specifically invited submissions to deal with the issue of fees and charges in TAFE, noting that the matter was a contentious one. Most submissions responded to this request and demonstrated that there are very strongly held views on the subject. Unions and student organisations were firmly opposed to the imposition of fees in TAFE. Such opposition was also shared by other groups. Several employer organisations expressed concern about the effects of an expansion of TAFE charges to individuals, especially at this time, while noting that individuals should make some contribution to meeting the overall costs of training.
The ACTU is opposed to employees having to pay fees for their training. We believe that these costs should be met by employers and through Government funding.

Quote from ACTU submission

To impose a fee regime at this time, however, would make it very difficult to achieve employee commitment to the new system. Many employees are not overly confident about embarking on training... The new Award attempts to entice an interest in training through the incentive of higher wages for higher skills. These higher wages are, of course, a major cost to employers. The higher return enticement, however, is a key element in attempting to win employees' commitment to the new Award.

Quote from the Metal Trades Industry Association submission

4.59 The Committee believes that the strong sensitivity of the fees issue points to the need for ongoing negotiation between industry (employers and unions) and governments. We return to the need to establish a process for these negotiations below.

4.60 Those who are concerned about the adverse effects of fees and charges argue their case around the following points:

- the access and equity problems which are involved;
- the principle, held firmly by unions, that workers should not be expected to bear additional costs arising from award restructuring either directly or indirectly;
the comparison with higher education - individual contributions (at 20 per cent of cost) were argued for higher education on the basis of the demonstrated higher income profiles of graduates. No such argument can be adduced in relation to TAFE (see Green and Mills, 1990); and

the current delicate state of award restructuring negotiations - at the present time the industrial parties are facing the very complex and sensitive task of negotiating new awards; it was argued that to add the uncertainty and tension promoted by an expanded fees regime for training could put the whole process at risk.

Fees in TAFE - The Current Picture

4.61 Over the course of its work the Committee sought information on the current position with regard to fees and charges in TAFE. This proved to be no easy task. Not only were some States in the process of changing their existing arrangements in the context of the 1990/91 Budgets but, at local levels, there is a bewildering array of charges to students including fees for administration, student services, student amenities, books, materials, consumables, access to facilities and others.

"There are variation, discrepancies and inequities between states, between sectors and between providers in the application of the "user pays" principle, the setting of fees, and the costing of training."

Quote from Box Hill College of TAFE submission

4.62 A number of submissions to the Committee were written in terms which argued against the introduction of fees and charges in TAFE. Whatever the merits, in principle, of such arguments, they ignore the reality of the array of fees and charges which now exist.

4.63 Across all TAFE systems, fees and charges exist under one or a number of names. With many TAFE colleges exercising considerable autonomy in setting particular course charges, it is difficult to present a coherent picture on the range of TAFE fees and charges. However, a number of individual examples of course fees presented to the Review suggest that depending, upon the course and method of study, the total of these fees for a student studying in a mainstream course can range between $20 and $400 per annum.

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4.64 Materials charges are generally treated as a separate item which relate in some measure to the cost of consumable goods used by students as part of their course. Depending on the nature of the course, available information indicates that charges can range from nil to as high as $1000, although most student charges would fall in the range $90 to $500.

4.65 There is also considerable variation in total fees and charges between TAFE colleges for the same award course. Fees for a carpentry trade certificate in one State for example, ranged between $65 and $117 in 1990, depending upon the college attended by the student. Table 4.1 gives some indication of the variations and anomalies which currently exist.

Table 4.1 : Examples of Fees and Charges in TAFE

| State wide Administrative and related charges | NSW | $130 pa (1991) for both f/time and p/time 1 year courses excluding Assoc Diploma |
| | SA | $430 pa (1991) all Assoc Diploma courses f/time and part-time |
| | Tas | 25¢ per hour (1991) (involves charges of $350 for some courses) |
| | | 50¢ per hour for initial courses (1991) |
| | | $4 per hour for post initial courses (1991) |
| General and Student Service Charges | Vic | from $0 to $292 |
| | Qld | $30 f/time and $15 p/time per year |
| | WA | $30 f/time and $20 p/time |
| Note: The range of services funded via student services/amenities charges varies. In some colleges the funding is restricted to cafeterias, job centres etc for students. In others it covers items including counselling, libraries and student records. |
| Materials Fees | In all States these range from course to course and college to college. Examples are |
| NT | up to $300 per semester |
| Tas | $20 to $220 per course |
| SA | $75 (apprenticeship courses) |
| | $300 art courses |
| | $500 some engineering courses |
| Vic selected | $140 commercial cookery |
| colleges | $20 trade carpentry - college A |
| | $90 trade carpentry - college B |
Stream 1000 versus Qld Mainstream Courses

WA

- Wordprocessing (Stream 1000) - 8 weeks duration, $145 fee
- Wordprocessing (part of mainstream course) - 17 weeks, $148 admin, amenities and paper charge
- Spanish (Stream 1000) - 1 year, $200 fee
- Spanish (part of mainstream course) - 1 year, $40 service and materials charge

4.66 While there is a variety of college and State-based reasons for the current fee arrangements in TAFE, the Committee believes that, to a significant extent, the hotchpotch of present arrangements arises because of the need to accommodate the provisions of the Commonwealth's States Grants (TAFE Assistance) Act. This requires States and Territories to ensure that tuition fees are not levied for preparatory or initial vocational courses. The use of terms such as administrative charge, student services/amenities fee, or materials charge and the employment of a liberal definition of the terms initial and post-initial avoids direct confrontation with the provision of the Commonwealth legislation. To some extent, action taken by the States and Territories in respect of TAFE mirrors the approach which the Commonwealth itself adopted in higher education when from 1987 to 1989 it imposed the Higher Education Administration Charge (HEAC) and not tuition fees.

"...we now find ourselves in a position where we must charge students the HECS fee if they are undertaking a higher education Associate Diploma, but not if they are undertaking one financed through TAFE. This is a totally untenable situation for both students and for the College. It is untenable for students because those paying fees know that their colleagues undertaking a course at precisely the same level are not called upon to meet that cost. It is untenable for the College because it means that we are competing with TAFE Colleges providing parallel courses on what in the modern jargon would undoubtedly be termed an uneven playing field."

Quote from Victorian College of Agriculture and Horticulture submission
4.67 The picture of State to State and college to college fee differences is further confused when a comparison is made with fees and charges in the higher education sector. A particular problem occurs with the offering of associate diploma and diploma courses in both the TAFE and higher education sectors. The Committee is aware of examples of what is essentially the same course being offered in both the TAFE and higher education sectors within the one State, and thereby subject to different fees and charges. Clearly, this is a further variable which must be examined when considering the issue of fees and charges in TAFE.

"All submissions that specifically considered women's access to training were anxious to point out that fees policies would heighten already significant barriers - both to vocational areas in which women tend to congregate and to technical and high-skill courses and jobs where they are under-represented. The submissions variously mentioned:

- cuts in resources specifically directed towards women's access courses;
- funding priority for trades and technical areas;
- inadequate levels of support for women returning to study;
- inflexible and restrictive timetables;
- insufficient affordable childcare places for women who participate in training or low-skill work; and
- existing fees and charges.

Powles, 1990, p.99"
4.68 The discussion below is divided into four key sections, reflecting the manner in which the Committee believes the fees issue must be considered:

- The first section looks at current arrangements in TAFE and proposes negotiations between the Commonwealth and State/Territory governments to remove restrictions and rationalise arrangements in a fair and equitable manner.

- The second section considers issues relating to possible wider arrangements for fees in TAFE and the principles by which these should be negotiated between governments, industry and community interests.

- The third section deals with the important elements of an equity package that could be negotiated as part of any fees regime, be it a rationalisation of the current arrangements or a wider arrangement.

- The final section looks at the deferred payment option for TAFE.

Rationalising Current TAFE Fees and Charges

4.69 The Committee is firmly of the view that the current arrangements for fees and charges in TAFE are unsatisfactory and need to be rationalised. The current Commonwealth legislation is a contributing factor for the ad hoc and highly variant nature of the existing arrangements and is thus central to any process of rationalisation and reform.

4.70 The Committee considers that, as an initial move to commence the process of rationalisation, the Commonwealth should consider the removal of the existing restrictions under the States Grants (TAFE Assistance) Act. It should do this in the context of negotiations with the States/Territories directed towards the development of more open, rational and equitable charging arrangements in TAFE.

4.71 Negotiations on the development of more rational and equitable charging arrangements as proposed above should take into account a number of principles:

- Any guidelines covering fees and charges in TAFE should encompass the whole possible range of fees and charges which individual students are required to meet and not simply deal with tuition fees as is the case at present.
Such guidelines should not be cemented in legislation, but should be specifically negotiated between the governments and between governments and institutions, possibly in the context of Commonwealth/State and State government/college resource agreements.

Recognising that the States now meet or raise approximately ninety percent of TAFE recurrent expenditure, any substantial Commonwealth policy initiative aimed at equity considerations would therefore need to be matched by the requisite additional Commonwealth funding.

There is a need to monitor the ongoing effects of fees and charges in TAFE, especially from an access and equity perspective.

Wider Fees Arrangements in TAFE

4.72 The Committee is persuaded by the data presented by Powles (1990) which demonstrate the extent of the equity problems which could arise if there were substantial across-the-board fees in TAFE without adequate equity arrangements.

4.73 In addition, evidence cited by Green and Mills (1990) and by Sweet (1990) indicates that across the general spectrum of TAFE courses, the income benefits to graduates from TAFE are relatively low, in comparison with those gained from participation in higher education. The argument that the student is rewarded by high earnings over his or her lifetime and should therefore be expected to make a contribution does not hold as strongly in the case of TAFE. The Committee recognises that this may, and should, change over time as pay and careers are more closely linked to skills under award restructuring, but for the immediate future there is no case equivalent to that argued for higher education. The matter is one that should be kept under examination as part of the general monitoring of the progress of award restructuring and training reform.

4.74 However, the data do not, in the Committee’s view, represent a case for a TAFE system which has no fees and charges. This would result in TAFE being entirely dependent on government funding for all of its preparatory and vocational courses. With the inevitable limit to public funding for education and training, this would result in a lack of freedom for colleges to meet local training requirements and severe restrictions on access in the face of high levels of demand for TAFE places.

4.75 The Committee recognises that, inevitably, State TAFE systems have to balance the equity issues raised in Powles (1990) and in many of the submissions to the Review with the need to expand the number of places available in TAFE in order to give greater access to those seeking training. This boils down to the
issue of available funds. The Committee is convinced that governments must
play their part in addressing the funding gap. However, with public funds
inevitably restricted, charges to individuals have a role to play.

4.76 Moreover, although globally the returns to individuals from attendance at
TAFE are not high, at present at least, there are some TAFE courses which
provide considerable private benefits and which are expensive. It is not
reasonable for such courses to be provided entirely at public expense. Indeed, if
they were, equity questions would arise about the use of public funds. It is
certainly of assistance to governments in allocating their scarce resources, to
gauge the real extent of demand for some courses through a general price
mechanism even if exemptions or concessions are provided in cases of need.

4.77 As noted above, the issue of fees for training is linked with the whole
process of the negotiation of restructured industrial awards. It is one of the
items on the table which will have to be resolved as an integral part of the total
award negotiations. For example, if governments were to impose a substantial
tuition fee for apprentice training (and given that such training is a part of the
contract between the employer and apprentice) the issue of apprentice wages, or
fee payment by the employer or employee, would need to be resolved by
industrial negotiation.

4.78 The Committee is not in a position to recommend any particular fees
regime to replace the existing set of arrangements. The Committee considers
that these will need to be negotiated, especially where they may affect award
restructuring developments. Options which governments could negotiate as part
of wider arrangements involving employers, unions and community interests
include:

- a flexible regime of fees with low levels of charges for initial qualifications
rising to higher levels for advanced courses. It is noted that there are no
hard and fast dividing lines between initial and post-initial courses and
this distinction cannot therefore be used as a sole criterion for fee
charges;

- an exemptions or deferment policy as part of an equity package as
discussed in paragraph 4.80;

- materials charges to be generally based on the ownership by the student
of the finished product;

- any fees should only be based on cost per hour provided that courses are
reviewed to reduce any unnecessary class contact time. These reviews
must include State and other authorities which regulate training and
often impose time-based training requirements;
the costs involved in new courses designed specifically to meet the needs of restructured awards should be negotiated as part of the implementation of the award. The aim should be to achieve a balance of cost which meets each situation. Where workers choose to undertake courses outside those negotiated as part of their award structure then the cost of enrolment should be a personal responsibility;

as noted in paragraphs 4.11 to 4.17, literacy and ESL training is a special area of responsibility principally for governments; and

in those States where governments wish to enable young people to make a choice between remaining at school for Years 11 and/or 12, or transferring to TAFE, an entitlements arrangement could apply. This would exempt the individual from fees or charges for appropriate TAFE courses.

**Equity Arrangements as Part of an Integrated Package of Reforms**

4.79 Any charging arrangements in TAFE should take into account equity issues. The Committee believes these should be considered in the context of negotiations between the parties, especially in Commonwealth/State and Territory negotiations relating to the lifting of Commonwealth restrictions through the States Grants (TAFE Assistance) Act.

4.80 Possible elements of an equity package include:

- assistance to the unemployed through the Commonwealth’s Active Employment Strategy, which is designed to assist those not in employment to gain skills through training - such assistance should include financial support for attendance at mainstream TAFE courses;

- covering the cost of fees and charges on behalf of AUSTUDY recipients in TAFE, similar to arrangements which applied in higher education when the HEAC was imposed;

- income support enhancement through AUSTUDY reforms and emergency loans, as discussed below;

- special labour market/education programs for groups such as single parents, Aboriginals and the disabled;

- exemptions and/or concession arrangements for low income earners and recipients. (One option used now, in some cases, is to accept social security health benefit cards as a measure of disadvantage);
the continuation and extension of fares assistance arrangements for rural and isolated students; and

a comprehensive approach to the provision of affordable courses for women seeking to upgrade their employment skills and education levels. This includes issues such as child care costs and other support, not simply tuition and other fees.

4.81 Income support arrangements are important elements of an equity package. As new forms of training develop to meet the diverse needs of young people seeking pre-vocational training, and others seeking initial or upgrading courses, it will be necessary for the Commonwealth to review AUSTUDY arrangements to ensure that they facilitate, and not impede, new developments. The Commonwealth has already begun this process by widening AUSTUDY eligibility to private business colleges. This will need to be extended as other forms of full-time training are developed.

"One of the emerging concerns for women workers is that, if equality of access to training is not addressed, further segmentation of the workforce will occur. Inequality in the distribution of training could lead to the emergence of a core of multi-skilled, highly paid full time workers and a peripheral and expendable workforce who are untrained, part-time and casual, lowly paid, and, largely female."

Quote from the Affirmative Action Agency submission

4.82 In the same way, some of the criteria related to AUSTUDY may need periodic review. For example, the present arrangements which restrict benefits to full-time students are based mainly on the concept of full-time students in schools and in higher education, even though the latter may have relatively few class contact hours. In the training sector, different arrangements apply and some full-time training may take place both off-the-job and on-the-job. For those trainees whose wages are below the personal income limits of AUSTUDY, it may be reasonable to provide benefits which would be similar to those paid to university students who supplement their income with significant periods of employment.
4.83 In addition, there would be merit in TAFE students having access to emergency loans such as are provided by needy students' funds in higher education. The Commonwealth provided assistance to universities during the 1970's to enable them to build up revolving funds which could assist needy students. TAFE was excluded from these arrangements. One option which the Commonwealth may wish to consider as part of its equity arrangements for TAFE is to provide grants to establish needy student loan schemes. A total allocation of $3 million per year for three or four years is likely to provide a level of funding which would sustain this arrangement for more than a decade.

4.84 The Committee acknowledges that no set of equity arrangements will be able to cover all cases. Even if no fees of any kind were charged, some disadvantaged people will be excluded by other factors such as lack of transport or time to attend classes. Moreover, if financial restraint on the TAFE system results in high levels of unmet demand, then equity will again be a casualty. Equity considerations must therefore strike a balance between equity of access and availability of access.

Deferred Payments Options

4.85 The Committee sought advice from the Department of Employment, Education and Training on the issue of deferred payment arrangements, as the Department administers the higher education deferred payment system (HECS). The Department's advice, provided after consultation with the Attorney-General's Department and the Australian Taxation Office, is provided as Appendix 7 in Volume 2 of the Report.

4.86 In summary, the advice concludes that, before any detailed planning could proceed in relation to a specific proposal, it would be necessary for the States to determine the parameters of their fees regimes. Unless substantial fees are contemplated, the cost/benefit of deferred payments is doubtful. Moreover, in assessing the cost/benefit and equity aspects of any deferred payment scheme, the nature of the TAFE student population as analysed in Powles (1990) would need to be taken into account.

4.87 The Committee accepts the Department's advice that deferred payments arrangements could be the subject of further study and negotiation between Commonwealth and State authorities. However, so far as the training costs of award restructuring are concerned, a fees regime which would warrant a deferred payments option is not an immediate prospect.
TAFE's Commercial Role, including Fee-for-Service Training Provision

4.88 Growth in the industry-funded training market, driven in part by award restructuring, but also by other competitive and industry adjustment factors, provides a new market opportunity for TAFE, along with industry and private training providers.

4.89 PCEK's analysis suggests that the market sector available to external providers (including, but by no means exclusively, TAFE) is currently around $420 million, or 32 per cent of total industry training expenditure. This is forecast to grow to around $660 million, 34 per cent of industry training expenditure, by 1995.

4.90 It is important to remember that TAFE is a significant player in this market, probably the most significant single player. Nevertheless, the industry training market is a competitive one, and increasingly so, with a vast array of industry, private and other public sector (including higher education) training providers. Moreover, while TAFE is well equipped to compete in much of the market, there are market sectors (such as management training and some areas of broad, generic skills training such as computer training) where it has little or no market edge. The boundary of TAFE involvement in providing training services to industry is not precise. In the spectrum of charges in TAFE, charges to industry would generally fall at the full cost recovery and above end. As PCEK notes, however, some mainstream TAFE courses could be substitutes for the type of training demanded by industry, depending upon the extent to which the TAFE recurrent program is made more attractive to employers. PCEK cite the following example:

If courses were to become more modular, more flexible in delivery, timing and location or more customised to the requirements of particular firms, demand could be expected to increase [and] substitute for some of the growth in the industry funded training market. (PCEK, 1990, p.15)

TAFE systems will need to be flexible in their pricing policies to take such substitution into account if it occurs to a large extent.
The climate which appears to have been created by the introduction of the Training Guarantee is such that most enterprises are likely to be looking for direct returns to their operations, i.e. the major focus will be on fee-for-service programs tailored to individual industry needs.

Quote from the NSW Department of Employment and Industrial Relations

4.91 The Committee does not expect the problem of substitution to be major, given that the emphasis in industry-funded training is and is likely to continue to be on customised enterprise and industry specific needs. Interviews conducted by PCEK rated customisation of courses, instructor ability, flexibility and pre-established relationships as priorities in an employer's choice of training provider, while cost rated lowly.

4.92 In outline, TAFE currently sells the following types of service to industry:

- consultancy services (eg. the development of training plans and training needs analysis);
- customised training delivery (eg. TAFE staff contracted to deliver training for a particular firm);
- training products (eg. curriculum, course materials); and
- conduct of joint training ventures (eg. industry/TAFE training centres).

Most of these are what was characterised earlier in paragraph 2.27 as training inputs.

4.93 The survey on TAFE commercial activity (State Training Board of Victoria, 1990), conducted for the Committee, found that these and other commercial activities raised revenue of around $71 million in 1989/90. This is equivalent to 4.2 per cent of total TAFE recurrent funding for the period. Estimated revenue from this source is expected to grow by about 50 per cent to $106 million in 1990/91, or around 6 per cent of TAFE recurrent funding.

4.94 It is worth noting that customised training delivery is the largest revenue item in the range of TAFE commercial activities (33 per cent of the total in 1989/90), reflecting the fact that training delivery is the major cost within the range of training functions.
4.95 As the State Training Board of Victoria study points out, TAFE has the potential to meet new demand for industry funded training services because existing resources in TAFE are highly adaptable to customised training. (State Training Board of Victoria, 1990, p.156)

In particular, TAFE has a large curriculum stock available for adaptation, current access to accepted accreditation processes and considerable human resources devoted to training. The Committee notes that the issue of customisation is a sensitive matter with enterprises who reasonably expect this to mean more than a cosmetic re-packaging of existing TAFE courses.

4.96 Given the expected growth in industry funded training along with TAFE's potential to service a good portion of the demand, the Committee believes that TAFE systems should aim to capture an increasing portion of this growing market over the coming years.

4.97 The Committee considers that a reasonable overall objective would be for TAFE commercial training activity to grow from 4.2 per cent funding in 1989/90 to a national average of around 15 to 20 per cent of total recurrent funding within five years.

4.98 The Committee points out that this is an indicative and average figure. The actual picture will vary markedly between and within State systems. In Victoria and South Australia, for example, where colleges have already embarked upon concerted commercial activity, the current figure is above the national average and is likely to remain so for some time. The picture will be different elsewhere. The NSW system will need to consider the targets set by the Scott Review (Scott, 1989) against the market estimates provided to the Review as well as its own assessment of the market. In addition, some colleges will be in localities less well endowed with industry willing or able to spend on industry funded training (rural colleges, for example).

4.99 The extension of TAFE activity in the commercial industry-funded training market gives rise to a number of important and potentially controversial issues. These demand deliberation and a considered response.

4.100 While the Committee cannot look at these issues in detail, nor propose a single formula response to suit different State training systems, some general issues and principles for a response can be put forward for governments and industry to consider and negotiate.
4.101 The important issues are:

While TAFE should seek to increase its commercial activities, it must also balance the extension of this activity with its core functions.

TAFE will need to enhance the flexibility of its operations and develop a more client oriented service culture in order to successfully compete in the market.

Better accounting systems and standards must be developed to ensure that colleges can cost and then price their services accurately and effectively to ensure desirable allocations of resources and report genuine costs and revenue. The survey of commercial activity around Australia found that there was little consistency or even much consideration of costing and pricing issues. The survey found that "there is no State which is fully implementing full cost recovery, ie. there is a notion of cost recovery but there is not a standard which is applied across the system or within one State which reflects full cost recovery". (State Training Board of Victoria, 1990, p.173)

There is a need to develop new staff employment, development and career path arrangements in TAFE to both encourage TAFE staff to take part in commercial activity and remain within the TAFE system (ie. avoid losing valuable trainers to industry, to private providers and to consultants).

Genuinely competitive and open markets for industry funded training inputs and outputs must be developed. This requires, at least, ensuring that TAFE charges for its services on a genuinely competitive basis - ie. public funds do not subsidise commercial activity. In addition, regulatory arrangements which may confer upon TAFE a quasi-monopoly status or a particular market advantage in the industry-funded training market must be removed. These include, especially, accreditation arrangements which do not advantage TAFE by comparison with other providers.

TAFE's pricing policies must reflect any contributions made by industry. For example, contributions made by industry-based trainers to training curriculum or product development should discount the price charged by TAFE for the provision to industry of that product.

4.102 All TAFE systems will be influenced by the increased demand for training inputs disclosed by the evidence from forward surveys. In this sense, the growth of training markets cannot be avoided. But, the Committee is convinced that TAFE systems must be involved positively in the industry-funded training market. For modern, leading edge, public sector training systems there is no choice between a commitment to traditional, mainstream TAFE activity and
commercial activity. The survey of commercial activity shows that over half of Australia's TAFE colleges have made this basic choice already and are involved in some degree of commercial activity. The decision for TAFE is about the balance of activity.

4.103 An increased commitment by TAFE systems to commercial activity should not distort or divert TAFE's overall mission. A part of that mission is the development of its core activities to provide broad and accessible training to individuals seeking vocational skills.

4.104 TAFE has much to gain from involvement in this market, and little to lose. Delivering services to the industry-funded training market:

- keeps TAFE and TAFE teachers at the leading, enterprise edge of training;
- enables the lessons learned at the enterprise level to be integrated into mainstream programs - the quality of all TAFE activity improves;
- helps to meet a growing element of industry training demand with good quality services; and
- expands and diversifies TAFE revenue, although revenue raising is the least substantial of the reasons for involvement in the market - it is unlikely to be hugely profitable.

Re-allocation of Existing Funding to Higher Priorities

4.105 In its Issues Paper, the Committee sought views on whether there were existing funding allocations for training which could be better used. It specifically instanced the present employer subsidies paid by the Commonwealth in respect of apprentices and trainees under the CRAFT and ATS programs. The total level of funding provided by way of general employer subsidies under these schemes is $120 million per annum. This figure excludes tuition costs under ATS and special assistance provided under both schemes for disadvantaged young people.

4.106 A number of submissions supported the phasing out of general employer subsidies. It is important to note, however, that submissions from the ACTU, BCA and ACM did not specifically address this issue and in the timeframe of this Report, the Committee was unable to seek further views on this matter. Others, such as the MTIA, warned of the adverse consequences for the employment of apprentices and trainees if existing subsidies were withdrawn. No submission, however, argued that the subsidies were required to meet the actual cost of
training provided by employers on-the-job or that the subsidies motivate employers to train apprentices and trainees during periods of economic downturn.¹

4.107 The Committee recognises that the influences motivating employers to take on apprentices and trainees are complex. They involve a mix of self-interest, in that employers wish to ensure a supply of skilled workers for their firm and their industry, and an element of community interest, to the extent that employers recognise the value to the community and the individuals involved of the development of trade and other skills. In part, the arguments in favour of subsidies rest on the notion that in taking on an apprentice or trainee, employers are taking on wider, community training responsibilities and that this should be recognised. In addition, the argument in favour of subsidies stresses the need to reduce the cost of employing apprentices and trainees to increase demand. This is argued particularly as a case for subsidies to be used as a counter-cyclical measure in times of downturn.

4.108 The case for the withdrawal of general wage subsidies, as part of government programs to assist training, rests on two grounds. First is the evidence that such programs do not have any significant effect on employer recruitment patterns. The research suggests that the subsidies do not prevent the number of apprentices and trainees in training from falling in times of economic downturn and that the cost reduction effect of the subsidies has, at best, only a small effect on the employment of apprentices and trainees. Sweet (1990) refers to this research. Secondly, there is the question of expenditure priorities. Governments need to consider how best to allocate public funds, and many argue that the employer subsidy funds would be better spent on other means of improving access to and quality of industry training.

4.109 The questioning of CRAFT subsidies is not new. In 1984, the Committee of Review of Labour Market Programs (Kirby Committee) considered the issue. It did not recommend the abolition of the subsidy on the basis that it would require prior "negotiation between the parties on changes to apprenticeship wage principles" and because the Committee "did not believe that abolition of the Rebates would be accepted by the community". The Kirby Committee did, however, recommend that CRAFT be reviewed after consideration of wage principles related to youth and training wages.

¹ After it had concluded its deliberations, the Committee received a submission from the Confederation of Australian Industry (CAI) which provided estimates of the cost to employers of electrical apprentice training. The Committee was not able to take this material into consideration or test it against other data. It would be appropriate for the Commonwealth in seeking evidence on the value of employer subsidies, to examine the CAI material.
4.110 The Committee believes that, unless firm evidence can be given by industry (employers and unions) that CRAFT and ATS subsidies are a high priority for industry training, there is a strong case to restructure the current arrangements and re-direct the funds to other areas in support of high quality industry training.

4.111 As the existing CRAFT and ATS payments are an industry training subsidy, the Committee recognises that any proposals to re-direct funds are of particular concern to industry. The Committee does not suggest that the funds should be re-directed to fund public sector training in TAFE. Proposals to reconsider and re-direct CRAFT and ATS payments must be discussed with industry through negotiations to determine the most effective and efficient use of the funds and to assure industry that any redirection is not simply a government savings exercise. The options for the most effective and efficient use of the CRAFT and ATS funds should be considered by the Commonwealth government and industry in this context.

4.112 The Committee considers that the options for the use of the current CRAFT and ATS funds are to:

1. maintain an approach which directs the funds to employers in relation to the number of apprentices and trainees employed, as at present, but rather than granting a general subsidy, direct the funding in support of effective industry-based measures to improve the quality of employee training in the light of the new training demands that will be placed upon employers as award restructuring, apprenticeship reform, competency based training and other changes proceed; or

2. re-allocate the funds to other areas in support of industry training.

4.113 The Committee’s priorities for the possible re-allocation of the funds are:

1. Substantial increases in English language and literacy/numeracy programs so that access, through them, is provided to further vocational training. This need is discussed at paragraphs 4.11 to 4.17 and is an area in which governments have a special responsibility.

2. Assistance to small firms through group training and industry training arrangements to maximise the training capacity of small business.

3. Funding the production and distribution of inexpensive high quality training manuals and other teaching and learning materials to assist industry (especially small firms which will not have specialist trainers) to maximise their training capacity and ensure quality training. The Committee supports proposals to link such materials to competency-based training related to skill standards set by the National Training Board.
4.114 Any re-direction of the general subsidies will require detailed examination to minimise possible adverse effects on the youth labour market. Special consideration may need to be given to group training schemes and to those small firms whose direct training costs are high. It may also be necessary to retain payments under ATS for a period until that system becomes fully developed. In addition, any re-direction of subsidies should not apply to special subsidies for the disadvantaged and those which encourage women's access to non-traditional occupations. These should be maintained in at least real terms. Moreover, there are already special provisions under the Training Guarantee arrangements relating to apprentices and trainees. These would need to be reviewed if any changes are made to employer subsidies.

The Role of Government

4.115 In this Chapter, the Committee has discussed measures to expand training capacity. In the case of industry, the data available indicate that a significant expansion of training is under way and will continue. The Committee has argued that industry should adopt a greater commitment to training as a core ingredient of its success and profitability - and of its contribution to the nation. In other areas, however, the role of leadership lies with government.

4.116 There are instances of special need where vigorous action by government is essential; the expansion of literacy and English language education is a prime example. More generally, the Committee expresses its strong belief that governments need to commit themselves to a steady, sustained growth of the training system. This will enable government to play its own part in training for industry; equally, it must exhibit leadership to elicit the desired response from industry - the establishment of a training partnership.

4.117 Despite the focus on industry training implicit in the Review's Terms of Reference, the Committee has continued to stress the community service obligations of government provided training, especially where access by the disadvantaged is involved. This is an explicit role of government.

4.118 The Committee considers that all these factors require governments to provide for stability in their training policies and to accept an obligation to fund continuing growth in public training at a rate no less than five per cent each year. This is no more than the average rate of expenditure growth achieved from 1983 to 1989, although the Committee notes that this rate of expansion decreased from 1987. It is important that governments return their spending effort at least to its longer term trend.
New Training Arrangements and Responsibilities

4.119 Graph 4.1 shows the projected/recommended growth in expenditure on training which has been discussed above. Industry, itself, has projected its levels of expenditure - excluding the wages paid to workers undertaking training - to rise from $1.3 billion using 1990 as the base year and assuming 1990 expenditure remained at 1989 levels, as estimated by PCEK, to $1.9 billion by 1995 (PCEK, 1990, p.34). The Committee’s proposal in paragraph 4.118 envisages that governments should set themselves a target - a training guarantee - of five per cent per year increase in real terms in public sector training provision. This would imply an increase from around $1.6 billion in 1990, to reach $2.0 billion in 1995.

Graph 4.1: EXPENDITURE ON TRAINING

4.120 Within this picture of funding growth, the Committee considers that there needs to be a new way of sharing the nation's training task. The current training arrangements are a product of history. They are largely ad hoc and often based at best on partly informed ideas about what industry and the community want, need, currently provide and are prepared to pay for. They vary between and within industries, firms and States. These arrangements may not be the most effective or efficient for today’s training tasks.
4.121 This report foreshadows a shift in the balance of training provision, with greater focus on enterprise and industry-based delivery. Setting the new balance of training responsibilities must involve a major re-think of the accepted roles of government and industry. Throughout the report, the Committee has referred to the need for the issues to be negotiated between the parties involved. Such negotiations may involve State and Commonwealth governments, others will involve governments and industry, while others must bring community interests into the negotiations. The new balance must be negotiated between the parties in different ways to suit different circumstances, just as the current arrangements have grown to meet a variety of circumstances.

4.122 A new agreed division of responsibility must be negotiated between all those involved in training. In particular, the Committee believes that the issues raised in this report must be central to the government and industry training agenda for the future. The extent to which we can genuinely negotiate new training arrangements and responsibilities will influence the direction of change, funding and reform for training in Australia.
CHAPTER 5 SUMMARY OF FINDINGS

Demand for Training

5.1 The Committee's terms of reference required it to advise on the training costs of award restructuring and the rate at which these costs would arise. Evidence provided to the Committee indicated that although many industries and enterprises had commenced negotiations on award restructuring, the pace of change was disappointingly slow. In assessing training demand, the Committee also took into account the existing level of unmet demand for TAFE and the other factors which are likely to increase training demand. The Committee's findings on these matters are summarised as follows:

A. Award restructuring is expected to:

- have an impact on training costs that is likely to be felt over a timeframe extending to five years rather than two as initially envisaged (para. 3.32);

- result in a shift in training provision, with higher levels of internally coordinated industry-funded training (paras. 3.24, 3.35); and

- have a variable training impact across and between industries (para. 3.29).

B. Unmet demand for technical and further education is already high - more than 100,000 Australians failed to gain entry to the vocational and preparatory courses of their choice in 1990. Demand is likely to increase as award restructuring provides benefits to individuals. Moreover, training demand will increase as the development of a wider training culture encourages individuals to seek training options and technological change makes retraining and skills upgrading an increasingly frequent need. (paras. 3.12 and 4.43, 4.45).

5.2 The Committee found wide consensus on the likely increase of training both on-the-job and within industry/enterprise training centres. This raises the question of the relationship between governments, which both provide and regulate training, and industry training. On these issues, the Committee found:
C. It will be necessary for governments to take action to enable and encourage industry to increase its training effort and to promote high quality and wide acceptance of industry-provided training. Among the actions which governments, in co-operation with industry, need to take are:

- to encourage TAFE to increase substantially its role as a provider of a wider range of training services to industry (paras. 4.100 to 4.104)
  - mainly on a cost recovery basis;
  - including training consultancy services, trainer training support, development of training materials, training needs analysis, assistance with assessment, customised delivery and conduct of joint ventures with industry;

- establish nationally consistent arrangements for training programs to be recognised, accredited, and monitored. Such regulation should be undertaken with a "light hand", be appropriate to individual circumstances and not be overly intrusive or expensive (paras. 3.21, 3.22 and 4.35);

- establish appropriate and nationally consistent arrangements for individuals to have their skills - however acquired - recognised, both for the purposes of industrial recognition and for access to further training (para. 3.16);

- ensure that training regulation - both the requirements of industrial training legislation and the teaching arrangements in TAFE - assist the development of more open and flexible training markets. Action should be taken to reduce, to the greatest extent possible, the duplication of training effort. (paras. 4.34, 4.36, 4.37 and paras. 3.17 - 3.19). The movement towards a competency-based approach to training and skills assessment, to which Ministers have already entered a co-operative commitment, will be a major stimulus to such change; and

- in relation to all of the issues above there is a need to maintain and expand the co-operative national approach demonstrated by Ministers in the establishment of the National Training Board (NTB) (para. 3.22).
5.3 The Committee obtained information on the extent to which TAFE was already engaged in providing industry services. It found that, although there were many fine examples of TAFE/industry co-operation, and of TAFE expanding its entrepreneurial activities, there will need to be a gradual process of change requiring some difficult management decisions. The Committee's findings on these issues are as follows:

D. The change in the balance of TAFE activities which would increase the proportion of its activities related to service to industry on a full cost recovery basis, will require:

- new, more flexible TAFE staff employment, development and career path arrangements to both encourage TAFE staff to take part in commercial activity and remain with the TAFE system;

- financial and administrative arrangements which enable TAFE to compete in the market for training services; and

- the setting of targets for entrepreneurial activity. In the larger States, a target equivalent to 15 to 20 per cent of total recurrent funding within five years seems reasonable but this will vary college by college and State by State (para. 4.97).

Government Funding of Training

5.4 The Committee examined the options for the funding of the TAFE system. So far as government funding is concerned, the Committee noted that the existing level of unmet demand warranted attention and that award restructuring would impose further direct and indirect training needs for TAFE. Moreover, there are efficiency and effectiveness improvements which are required. Against that background, the Committee concluded:

E. Governments need to commit themselves to a steady increase in the volume of publicly funded TAFE activity. For the next five years, increases of 5 per cent per annum in real terms would be an appropriate response as a national target. Assistance to disadvantaged groups and the promotion of equal opportunity objectives will consume a substantial portion of the additional funding.

F. Over and above such increases, TAFE needs to examine rigorously its present arrangements especially in respect of:
better sharing of training materials among States - especially the excellent range of open learning materials now produced;

greater use of existing plant and equipment including the sharing of facilities with industry;

duplication between on-the-job and off-the-job training;

class contact hours in some courses which seem to be excessive; and

attrition rates in some courses which seem to be unacceptably high.

Fees and Charges in TAFE

5.5 The Committee received advice from a wide range of groups and individuals on the issue of fees and charges in TAFE. A number of submissions argued that fees should not be recommended. However, such proposals ignore the reality of the bewildering array of fees and charges now levied in TAFE. In order to develop reasonable policies on fees and charges, it is necessary to explode the myth that TAFE is now free. The Committee examined the pros and cons of a number of options for fees and of possible deferred payments arrangements akin to those in higher education. On these matters, the Committee found:

G. At present, at least, the personal financial benefits to individuals arising from the TAFE training are, in general, quite modest - especially by comparison with higher education. Award restructuring should change the financial rewards from participation in training but, given the present situation, there is no persuasive case for substantial individual contributions to meet the cost of TAFE. In addition, data presented to the Committee indicate that equity problems could arise if substantial fees were set in TAFE colleges without adequate exemption or concession arrangements. This is not to say, however, that no fees should be charged for TAFE courses (paras. 4.72 - 4.74).

H. The present arrangements for fees and charges in TAFE are unsatisfactory and need to be made more rational, open and equitable. As an initial move in this process, the Commonwealth should consider removing the restrictions in the present Commonwealth legislation (which requires that tuition fees not be charged for initial vocational or preparatory courses). It is a matter for the Commonwealth to
consider if it wishes to require States to have specified equity arrangements in place, but if it does, then the Commonwealth needs to provide adequate resources to fund its policy requirements. Against this background, States should review their present fees and charges policies (paras. 4.70 and 4.71).

I. When reviewing arrangements for fees and charges, the States may wish to discuss with the Commonwealth the possible implementation of a deferred payments system. However, the equity and practical problems of introducing such a scheme in TAFE should not be underestimated. The cost of training arising out of award restructuring would not, of itself, warrant the immediate introduction of such arrangements. At a more modest level, however, the availability of loan funds to assist needy students (akin to those established in higher education) would represent a significant equity initiative for TAFE students. At para. 4.83 the Committee provides details of such an arrangement.

**Literacy and Numeracy**

5.6 In a large number of submissions, evidence was presented that the literacy and numeracy problems of workers presented major barriers to further training. These problems are not confined to migrants, many Australian born workers also have inadequate literacy and numeracy levels. The Committee regarded the issue of literacy and numeracy as one deserving special attention by governments - particularly the Commonwealth Government which is at present reviewing its language and literacy policy.

J. Literacy, numeracy and other communication and general learning skills are an essential and important element in award restructuring. Unless workers, and those seeking jobs, have these skills they will be denied access to training and career advancement. The community-based providers of adult education should play an enhanced role in these areas and funding arrangements for these courses should be reviewed. The provision of programs directed to literacy and numeracy is primarily a matter for governments.

**Other Government Programs**

5.7 In its Issues Paper, the Committee sought submissions on two particular Commonwealth programs which relate to training. The first was the subsidies now provided to employers of apprentices and trainees. The second was AUSTUDY benefits. Based on the advice received, the Committee concluded:
K. The evidence provided to the Committee raised questions as to whether employer subsidies paid under CRAFT and ATS were meeting their objectives and it is possible that the funds might be better allocated to other industry training objectives. However, as a number of key submissions did not discuss this issue, the Committee recommends that the Commonwealth should provide an opportunity for industry to present evidence on the importance of CRAFT and ATS employer subsidies and that the Commonwealth should discuss with industry and union groups the options for the possible re-allocation of the $120 million per annum involved to other industry training priorities or a restructuring of employer training subsidies (para. 4.111).

L. The present arrangements for AUSTUDY appear to be based around the traditional higher education concept of a full-time student. AUSTUDY arrangements need to be reviewed to ensure that they are appropriate to the training sector. This review should include the following issues:

. benefits which reflect general fees and charges in the TAFE sector;

. eligibility to a wider range of courses provided by non-TAFE institutions; and

. eligibility for students/trainees who combine work and study and who are not presently classified as full-time students (paras. 4.81 and 4.82).

5.8 The Committee also considered the role which the Commonwealth’s Training Guarantee legislation might have on industry training effort. It concluded:

M. It is too early yet to consider the impact which the Training Guarantee will have as a stimulus for increased training effort. The Committee notes that the Training Guarantee will be subject to review in 1992. Consideration may need to be given in this review to changes in the existing threshold exemption level (now $200,000 gross payroll) the minimum level of training expenditure (1.5 per cent of payroll from 1991/92) and the conditions under which eligible training is determined (paras. 4.18 and 4.19).
Negotiating a New Set of Training Arrangements

5.9 The Committee noted that training had now become a major issue on the industrial relations agenda; indeed there was a need to ensure that training issues did not become overly dominated by industrial relations considerations. However, many training issues will have to be considered as part of negotiations between employers, unions and governments. A critical issue is the wage demands made for workers while they are undertaking training.

5.10 The Committee's Issues Paper noted that the costs of training are currently shared by governments, individuals and employers. The analysis conducted for the Committee and the views put before it suggest that this sharing of costs will remain under the new training arrangements arising from award restructuring, although the relative contributions are likely to shift. The clarification of the appropriate role of market processes will assist in determining relative contributions to training costs. The Committee concluded that:

N. Additional contributions would be expected to be made in some cases. In particular:

- governments to contribute more through real funded growth and equity initiatives. In addition, the Commonwealth Government may restructure and redirect its training subsidies;

- individuals to contribute through more open and rationalised fee arrangements and through various arrangements negotiated in the industrial relations arena; and

- industry to contribute more as it expands training effort in-house and through greater expenditure in the industry-funded training market. The Committee has been gratified to receive employer responses to the Review foreshadowing this expanded commitment.

Training Cost Projections

5.11 The Committee expects the changes listed above to occur over a timeframe of several years, rather than overnight (pars. 3.25 and 3.32). The reports of the Committee's consultants indicate that industry itself is projecting an increase in training expenditure in the order of 50 per cent between 1990 and 1995; this would involve an outlay of $1.9 billion in industry funded training. The Committee's proposal that Government's commit themselves to a "Training
Guarantee" involving a 5 per cent per year increase in TAFE funding would, by 1995, also increase government expenditure on TAFE to $2.0 billion. This is illustrated in Graph 5.1 reproduced below.

5.12 Against this background the Committee concluded that:

O. The costs and implications of award restructuring for training are uncertain at present. Governments need to establish a co-operative arrangement with the industry partners to keep these issues under review and to monitor progress in the implementation of the training reform agenda (paras. 3.27 and 4.119 to 4.122).

P. Governments should provide reasonable stability in their own policies and programs related to training so as to encourage industry and private investment in training (para. 4.18).

Graph 5.1: EXPENDITURE ON TRAINING

Sources: Table 2.1 and PCEK (1990)
The Conference of Australian Ministers for Labour established an inquiry into the costs of training arising from the restructuring of industrial awards.

The Committee appointed to conduct the Inquiry comprises:

Mr Ivan Deveson  
Chairperson  
Chief Executive Officer of Nissan Australia

Mr Lyall Fricker  
former Director-General of TAFE  
in South Australia

Professor Barry Hughes  
Professor of Economics  
University of Newcastle

Ms Cassandra Parkinson  
Research Co-ordinator  
Textiles, Clothing and Footwear Joint Working Party  
of Australia

The resolution of Ministers which established the Inquiry is attached. It is due to report to Ministers by the end of September 1990. The Committee has prepared a paper which outlines the issues and expands on its terms of reference. It also sets arrangements for submissions and consultations. This is also attached.
RESOLUTION ON RESOURCING THE TRAINING REQUIREMENTS EMERGING FROM AWARD RESTRUCTURING

The Ministers of Labour Advisory Council, meeting in Queenstown, New Zealand on May 24, 1990:

1. Noted that there is a need to enhance the skill base in the Australian economy.
2. Recognised the training cost implications of award restructuring will be substantial.
3. Agreed to publish the consultant's report, Costs of Award Restructuring.
4. Resolved that there needs to be a full consideration of all the options available to secure the additional resources for training because governments alone can not and should not be responsible for meeting all of the costs involved.

Against this background, Ministers established a review group, headed by Mr Ivan Deveson, to look at the issues. They determined the terms of reference for the review to be:

a. The provision of estimates of resources required:
   - distinguishing between initial and continuing costs; and
   - balancing the reasonable demands by individuals for training for recognised vocational skills and the needs of the workplace.

b. The proposal for options for securing additional resources, which have regard to:
   - the economic benefits accruing to:
     . individuals;
     . enterprises/organisations in the public and private sectors;
     . the wider community;
   - the need for equity in access to training for all groups in the community;
   - the balance of provision between public and private providers and the role of private providers in a broader training system;
- the skill assessment requirements; and,
- interfaces with schools and higher education sectors.

5. The Ministers indicated that the review group should consult widely with those involved in the training systems.

6. The report should be completed by the end of September, 1990, and be considered by a further special meeting of Ministers to be convened by the Federal Minister for Employment, Education and Training in November 1990.
Training has become an important aspect of Australia's economic and industrial relations reform.

Changes to the level and nature of demand for training are being driven by a range of factors, including:

- widespread recognition of the key role of training in improving the productivity and competitiveness of Australian industry.
- increased emphasis by government and industry on microeconomic reform, with skill enhancements as a key process to assist this.
- shortages of skills in critical areas.
- the introduction of new production methods and work organisation in industry, demanding new levels and wide distribution of skills.
- recognition of the importance of training as a determinant of career and life choices for members of the community.
- demands for training from members of groups traditionally under-represented in work and training.

These factors alone are driving new requirements for training shown, for example, by high levels of demand for places in TAFE, by major reforms to the training provided in TAFE, through greater industry commitment to training and growth in private training provision.

Award restructuring adds an extra dimension to the new demands being placed on Australia's training systems. It is the major single factor currently influencing skill formation and training in the workplace, reflecting the greater recognition by employers and employees of the importance of skills. It is the principal means by which reform in the labour market is contributing to microeconomic reform.

What is the problem?

Training is critical to full and successful award restructuring.

Workers will need access to training so that they can move to new skill related classifications and progress along career paths. This training will enable workers to be more productive and efficient in their work.
There is little doubt that the full and successful implementation of award restructuring will require an expanded training effort. Planning for the future direction of training must be based on a reliable assessment of the magnitude of new training requirements and how to respond to them.

Commonwealth, State and Territory Ministers responsible for training have asked the **Review Committee** to provide advice on these issues. Put simply, the key questions are:

- how much extra training is likely to be required and what are the costs involved arising from award restructuring?
- how should the extra training costs be met?

This paper looks briefly at the issues and key questions.

**How much extra training is involved and what will it cost?**

The factors driving new requirements for training are complex and linked. Many processes are only just underway and are not yet clear.

This is especially the case with award restructuring, which is proceeding in different ways and at different speeds across and between industries. The degree to which award restructuring will drive new training requirements will depend on how the processes now in train conclude. While it is clear that extra costs will be involved, it may not be possible to give a precise or definitive answer to the question of how much extra training is involved and what it will cost.

Nevertheless, Ministers responsible for training systems, enterprises and industry groups involved in training, and training providers in the public and private sectors, need to have some broad estimates of the likely future requirement for training and its cost. They will also need a clear picture of the factors likely to influence these requirements and costs.

Some efforts have been made to estimate the emerging costs:

- Analysis of the metals and hospitality industries undertaken by the Commonwealth Department of Employment, Education and Training (DEET) indicates that training costs in TAFE could increase significantly within 3 to 5 years as a result of restructuring. According to the analysis, the cost will depend upon the balance of training provision between enterprises, TAFE and other training providers.
Another study by the Western Australian Department of Employment and Training suggests that the level of increase could be lower. It also raises the possibility that there may be a 'hump' in the demand for and cost of training in the early years as new awards are implemented and as workers fill gaps in their existing skills in order to move to new award categories, with demand then declining from the peak of the transition period.

Work in Victoria suggests that while the cost implications of award restructuring are significant, they are only a part of a broad range of factors likely to create new demands for training.

The Review Committee is seeking views and information on this issue. Studies undertaken in particular industries would be especially helpful, as would views from employers, unions, industry bodies, training providers, community organisations and individuals about their own experiences with award restructuring and its training implications.

What factors will influence overall training requirements and costs?

Implementation of some awards may require workers to undertake training as part of their transition from old to new award structures. This is especially likely where workers who are currently required to use only narrow skills need to broaden their skills profile.

The nature of restructured awards will influence the requirement for skills and training. If awards provide for career progression and encourage this progression through wage incentives related to increased skills, they will act to increase the demand for training. Similarly, if skill profiles under awards are very broad, requiring workers to be skilled over a wide range of areas, then training demand will be higher than if narrower profiles are chosen.

The actual requirement for skilled workers in industry will be an important variable determining the extent to which the career advancement opportunities promised by award restructuring are delivered in practice. In turn, this will vary the requirement for training in different sectors. While as a general rule it is desirable to encourage as many people as possible to take part in training, it may be necessary to target training provision according to the need for skill and hence opportunities for career progression. It could be argued that this would be both more efficient, in that it would devote limited resources to training for meeting major skill demands, and fairer, because it will not encourage people to train for jobs which are simply not there. The Review Committee seeks views on ways to balance these likely individual and industry demands.

Arrangements for recognition of prior learning and skills gained on the job could drive training requirements and costs up or down. If procedures that recognise these skills can be agreed to, there is the potential to reduce the demand for additional formal training related to award restructuring. Indeed, such arrangements may well help to alter the nature of the demand for training, allowing resources to be allocated to other areas.
Skill recognition, assessment and accreditation mechanisms themselves are likely to create substantial additional costs to be taken into account. In the Review Committee's analysis the cost of skills recognition, assessment and accreditation must be included in the overall cost of training. Currently, governments meet most of these costs through TAFE assessment and accreditation arrangements. Restructured awards could encourage or require detailed methods of skills recognition and assessment and relatively formal accreditation procedures, resulting in large additional costs. Alternately, lower cost arrangements could be put in place, but these could lessen the quality of the award restructuring process if they do not fully take into account the skills required. The Review Committee seeks advice on the right balance of rigour and cost which will meet industry and individual needs.

The capital and infrastructure needs of new training provision will be an important dimension of cost. New training infrastructure may be needed in both the public and private sector.

The extent to which current training provision requires reform and new forms of training need to be developed could vary with the demands of award restructuring. The Review Committee seeks advice on the costs associated with developmental work to upgrade and extend current training effort. Costs associated with the move to competency based training and the development of self-paced learning are examples of this.

The balance of provision between formal on the job and off the job training will influence both the overall cost and the distribution of that cost. So too will the balance of responsibility for off the job training taken on by TAFE, training centres, enterprises themselves, private training providers and community based providers. For example, if industry accepts a greater responsibility for current skills training (in particular, apprenticeship) then TAFE resources could be released for new activities. The training market is growing and becoming more diverse, with a greater mix of public and private training provision. The Review Committee seeks advice on the balance of training provision between sectors to ensure that training is effective and efficiently provided and that duplication of effort is reduced.

While the effect of these factors could vary, it is clear there will be a substantial increase in the demand for and cost of training. Skills and training are critical to the success of award restructuring and the further development of productive and internationally competitive industry in Australia. Governments, industry and the community will need to plan ahead to meet these new training demands.

Against this background the Review Committee seeks advice on ways to fund the extra training needed.

**What are the options for funding the extra costs of training?**

The costs of training are currently met by:
Governments meet most of the costs of TAFE. They also provide assistance to industry, through incentives encouraging employers to take on apprentices and trainees, payments to apprentices and trainees and grants for training innovation and infrastructure. The costs of the regulation of training and measures to ensure the quality of training (e.g. apprenticeship inspectors) are also met by governments.

Industry’s contribution to training is substantial, although it is widely agreed that the overall level of industry investment in training needs to increase and that many firms are lagging behind and should expand their commitment. The Training Guarantee, to commence on 1 July 1990, will require employers to spend a minimum amount on structured training each year, helping to increase industry investment in training.

Individuals also meet part of the cost of training. Indirect contributions may be made through income foregone in wages paid to, say, trainees and apprentices which reflect their training status. Direct payments are made through the wide array of fees and charges levied in TAFE or by private training providers.

The Review Committee wishes to consider the future funding responsibilities of governments, employers and individuals in the climate of a growing requirement for training.

Options for governments include increased expenditure, greater efficiency in the use of resources and re-ordering of expenditure priorities. For example, at present the Commonwealth provides, from within its budget for training, more than $100m per year on subsidies to the employers of apprentices and trainees. Consideration needs to be given to such expenditures in relation to other priorities in the training area.

Options for industry include an expansion of on the job and in-house training effort, greater expenditure on training and increased payment to public and private training providers for the development and delivery of training.

The Review Committee will also consider options for increased individual contributions, including an expansion of fees and charges and the introduction of deferred payment arrangements in TAFE. It should be noted in this context, however, that a fees regime does not only imply payments by individuals. Industry might increase the extent to which it pays fees on behalf of employees and Governments could expand the practice of meeting fees and charges in respect of particular client groups.
How can the funding options be balanced with the need for access and equity in training?

The review terms of reference require the Review Committee to take into account the need for equity of access to training for all groups in the community.

The diverse circumstances of those taking part and those who wish to take part in training is important in this regard. Those in some form of training include, for example:

- young people in TAFE, many of whom are recently out of school and some of whom are studying at levels equivalent to the upper years of school;
- students studying in TAFE courses similar in most respects to courses in higher education;
- people from older age groups, seeking skills to enable them to move along career paths or re-enter the workforce;
- apprentices and trainees, who are students in TAFE by virtue of formal contracts of employment and training which are registered with State authorities;
- those seeking basic skills (such as English language skills);
- those training in advanced technical skills to advance their careers.

The diversity of the population in training and the breadth of training provision means that there is unlikely to be any single mechanism to ensure the funding of increased training effort is balanced with the need for equity of access.

Views on the issue of individual contributions to assist in meeting the costs of training, mechanisms for charging in TAFE, including deferred payment arrangements, are therefore sought, particularly in relation to their impact on equity of access.

In addition, the terms of reference require the Review Committee to consider industry and TAFE training links to schools and higher education. This consideration should take into account the likely high level of demand for training places, the importance of establishing close links between the sectors and the need to efficiently utilise all of the community's education and training resources and reduce duplication of effort.

**How to make an input**

The committee welcomes written submissions. These should be sent to:
Closing date for submissions is 27 July 1990.

The **Review Committee** must complete its work by the end of September, and as a result, it cannot undertake unlimited discussions. However, those who would like to hold discussions should indicate this in their submissions. Groups and individuals making submissions should also indicate if they are willing to have their submissions circulated outside the committee to further encourage debate on the issues.
LIST OF SUBMISSIONS RECEIVED

Adult Migrant Education Services, Ministry for Education and Youth Affairs (NSW)

Adult Migrant Education Services, Ministry of Education (VIC)

ACT Institute of Technical and Further Education

ACT Vocational Training Authority

Affirmative Action Agency

Amalgamated Metal Workers’ Union

Association of Independent Schools of Victoria

Australian Airlines Ltd

Australian Association of Adult and Community Education

Australian Chamber of Manufactures

Australian Council for Adult Literacy

Australian Council of Social Services

Australian Council of Trade Unions

Australian Funeral Directors Association

Australian Library and Information Service

Australian Manufacturing Council Secretariat
Australian Newsprint Mills Limited

Australian Small Business Association

BHP Steel International Group

Box Hill College of TAFE

Broadmeadows College of TAFE

Bureau of Employment, Vocational and Further Education and Training (Qld)

Business Council of Australia

Claremont Educational Park

Coles Myer Ltd

Confederation of Australian Industry

Construction Training Council (NT)

Department of Education, Northern Territory

Department of Employment and Technical and Further Education (SA)

Department of Finance (Commonwealth)

Department of Industrial Relations (Commonwealth)

Department of Industrial Relations and Employment (NSW)

ELMS Learning Management Systems Ltd

Federated Ironworkers' Association of Australia
Footscray College of TAFE

International Human Rights Association

The Lee Company

Local Government Training Council

Metal Trades Industry Association of Australia

Moorabbin College of TAFE

National Arts Industry Training Council Ltd

National Electrical and Electronic Industry Committee Ltd

National Furniture Industry Training Council Ltd

National Maritime Industry Training Council

National Printing Industry Training Council

National Retail Industry Training Council Ltd

Office of the Status of Women, Department of Prime Minister and Cabinet

PE Personnel

Queensland Food Industry Training Council

Social and Community Services Industry Training Board

State Rail Authority of New South Wales

TAFE College Councils Association of Victoria
TAFE Distance Education Centres, VIC, NSW, QLD

TAFE National Centre for Research and Development Ltd

TAFE Teachers' Association

Tourism Training Australia

Trades and Labour Council of Western Australia

The University of Newcastle, Department of Community Programs

University of Technology, Sydney

Victorian College of Agriculture and Horticulture

Victorian Employers’ Federation

Victorian Farmers’ Federation

Victorian TAFE Off-Campus Network Co-ordinating Authority

Victorian TAFE Students and Apprentices Network

Victorian Textile, Clothing & Footwear Industry Training Board

Victorian Trades Hall Council

Western Australian State Government (Minister for Productivity and Labour Relations)

Whyalla College of TAFE

Womens’ Employment Branch, Department of Labour (Vic)
LIST OF ORGANISATIONS/INDIVIDUALS CONSULTED

Organisations and individuals were consulted in one of two ways:

. meeting directly with the Committee or Committee member(s), and/or

. attendance at a seminar conducted under the auspices of the Review by one of the consultants to the Committee.

The following lists those organisations and individuals consulted as part of the Review process.

ACT Administration
ACT Institute of TAFE
ACT Vocational Training Authority
Affirmative Action Agency
Austen, R
Australian Chamber of Manufactures
Australian Council of Social Services
Australian Council of Trade Unions
Australian Metal Workers Union
Australian Small Business Association
Australian Association for Adult and Community Education
Business Council of Australia
Broadmeadows College of TAFE
Chapman, B
Confederation of Australian Industry
Council of Small Business Organisations of Australia
Curtain, R
Department of Labour (Victoria)
EEO Unit, South Australian Department of Employment and TAFE
Employment and Skills Formation Council
Federated Clerks Union
Hilton International
ICI Botany
Metal Trades Industry Association of Australia
Miller, P
Minister for Employment, Education and Training
National Retail ITC
National TAFE Women's Plan
National Training Board
National Union of Students
Northern Industry Education and Training Link
NSW Department of Industrial Relations and Employment
NSW Minister for Industrial Relations and Employment
NSW Department of TAFE
Qld Bureau of Employment, Vocational and Further Education and Training
Qld Minister for Employment, Training and Industrial Relations
SA Department of Employment and Technical and Further Education
SA Minister of Employment and Further Education
State Rail Authority of New South Wales
State Training Board of Victoria
Sweet, R
TAFE Teachers Association
Tasmanian Dept of Employment, Industrial Relations and Training
Tourism Training Australia
Victorian TAFE Students and Apprentices Association
Vocational Orientation Centre
WA Department of Employment and Training
Women's Bureau, Department of Employment, Education and Training
GLOSSARY OF TERMS

In order to clarify training system terminology used by the Review, the following glossary of terms from the National Training Board's Setting National Skill Standards, A Discussion Paper (1990) is considered useful.

- **accreditation** is the process of giving official approval to a course or training program by an external accrediting authority, implying the academic standard of a course or training program is appropriate to the certification or qualification to which it leads.

- **articulation** is the formal linkage between different levels and/or different fields of study, including enterprise and industry-based training. Articulation arrangements allow the horizontal or vertical movement between programs or between education and employment.

- **assessment** is the process of forming a judgment about a performance or product against an explicit or implicit standard.

- **certification** is the provision of a certificate or award usually as a result of the assessment process which could involve examination, practical tests, performance observations and the completion of assignments.

- **competence** is the ability to perform the activities within an occupation or function to the standard expected in employment
  - **element of competence** describes what can be done: action, behaviour or outcome which a person should be able to demonstrate
  - **unit of competence** made up of elements which together make sense to and are valued by employees and employers.

- **core standards** are those which are determined by the developing agency to have national applicability. As against discretionary standards which may only be appropriate for an enterprise, region or state.

- **curriculum** is an organized programme constituted by a structured series of learning outcomes and associated learning experiences, generally organized as an integrated combination or series of courses. The successful completion of a curriculum is seen as necessary to achieve specified training/educational goals corresponding to different levels of qualification.
key competency level is part of an agreed framework against which the comparability of vocational training and qualifications may be established.

monitoring is the process of quality assurance involving internal, local and external validation of the integrity of the training system. It should not be confused with assessment (verification).

registration is the process through which a training provider's right to provide education/training is validated by an external authority against specific criteria which may include legal and financial organisation, qualification of staff, premises and equipment, and organisational code of practice.

skill is the ability to perform a task in an organised and co-ordinated way. Skill may be described as perceptual, motor, manual, intellectual, social, affective, etc. depending on the nature of the task. Skill usually involves the application of cognitive and psycho-motor functions, together with appropriate knowledge. Skill is (i) cumulative: it is built up gradually in the course of repeated training (ii) sequential: each part is dependent on the previous part and influencing the next.

standard is a statement in outcome terms of what is expected of an individual performing a particular occupational role. It may be expressed in two parts:

- an 'element' of competence which describes what the individual should be able to do, and

- performance criteria which describe the standards of performance required for the successful achievement of the element of competence.

task is a discrete, identifiable and meaningful unit of work that is carried out by the job-holder for a specific purpose leading to a specific outcome. The performance of a task requires the application of skill.

verification (see monitoring).
This Attachment provides a description of the seventeen-group Stream classification used for TAFE courses.

Stream 1000: Recreation, Leisure and Personal Enrichment

Stream 2100: Entry to Employment or Further Education: Basic Education and Basic Employment Skills

Stream 2200: Entry to Employment or Further Education: Educational Preparation

Stream 3100: Initial Vocational Courses: Operatives

Stream 3211: Initial Vocational Courses: Skilled Courses for Recognised Trades - Partial Exemption to Recognised Trade Courses

Stream 3212: Initial Vocational Courses: Skilled Courses for Recognised Trades - Complete Trade Courses

Stream 3221: Initial Vocational Courses: Skilled Other Skills Courses - Partial Exemption to Other Skills Courses

Stream 3222: Initial Vocational Courses: Skilled Other Skills Courses - Complete Other Skills Courses

Stream 3300: Initial Vocational Course: Trade Technician/Trade Supervisory, or Equivalent

Stream 3400: Initial Vocational Courses: Paraprofessional - Technician

Stream 3500: Initial Vocational Courses: Paraprofessional - Higher Technician

Stream 3600: Initial Vocational Courses: Professional

Stream 4100: Courses Subsequent to Initial Vocational Courses: Operative Level

Stream 4200: Courses Subsequent to Initial Vocational Courses: Skilled Level

Stream 4300: Courses Subsequent to Initial Vocational Courses: Trade Technician: Trade Supervisory, or Equivalent

Stream 4400: Courses Subsequent to Initial Vocational Courses:
Paraprofessional - Technician

Stream 4500: Courses Subsequent to Initial Vocational Courses:
Paraprofessional - Higher Technical or Higher
LIST OF REFERENCES


Australian Chamber of Manufactures (ACM), Submission to the Training Costs Review Committee, Melbourne, 1990.


Commonwealth/State Training Advisory Committee (COSTAC), *Costs of Award Restructuring*, AGPS, Canberra, 1990.


