

# SKILLS FOR FUTURE JOBS

The Training and Skills Commission  
Five-Year Workforce Development Plan

December 2014 // Volume 1



Government of South Australia  
Training and Skills Commission




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Better Skills  
Better Work  
Better State

# Foreword

## Introduction from the Chair



For the past six years the Training and Skills Commission has provided independent advice to the Minister for Employment, Higher Education and Skills on the skill and workforce development needs of industry and the efficiency of South Australia's training system. Our formal advice is provided through our workforce development plan, *Skills for Future Jobs*.

Our objectives are to increase state development by guiding the allocation of public funding on skills and workforce development, critiquing and recommending policy initiatives, and ultimately enhancing the state's productivity and skills base.

This iteration, *Skills for Future Jobs* comes after a very eventful year for the Vocational Education and Training (VET) and higher education sectors. From the Commonwealth Government's proposed educational reforms to the South Australian Government's changes to its flagship *Skills for All* policy, there is enormous change underway. It is now more important than ever that sound public policy is backed by effective and efficient administration and review. The Commission stands ready to assist the State Government in delivering its skills agenda.

The Commission formally referred its powers to regulate training providers to the Commonwealth in 2012; its involvement has since focussed on the continuing regulatory functions for apprentices and trainees. The Commission's role in protecting and enhancing the quality of training also continues. The State Government is looking to lift quality through the provision of the contracts it lets, and the Commission makes recommendations related to this later in this document.

In developing this plan, the Commission has relied heavily on collaboration and partnership. We have met representatives of more than 200 enterprises and most of the state-based industry associations, and conducted three extensive regional consultations. We are grateful for the level and depth of engagement of our stakeholders and value the contributions of our regional leaders in pursuing support for more isolated citizens. The Commission remains vigilant on the need for industry input into government decisions that affect the VET and higher education systems.

There remain many unanswered policy questions within the tertiary sector. Without underestimating the potential impacts of the Commonwealth Government's proposed changes to universities, it is the Commission's view that the State Government's VET policy will be critically important to the state's skills profile and, in turn, to achieve industry needs.

**Mr Adrian Smith**  
**CHAIR**



## Training & Skills Commission Members



**Adrian Smith (Chair),**  
*Managing Director,  
Rheinmetall Defence.*



**Adrienne Nieuwenhuis (Deputy Chair),**  
*Director, Office of Strategic Programs,  
Chancellery, University of South Australia.*



**Professor John Buchanan,**  
*Director of the Workplace  
Research Centre, University of  
Sydney Business School.*



**Paul Dowd,**  
*Chair of Resources and Engineering  
Skills Alliance (RESA).*



**Correna Haythorpe,**  
*Lead Organiser and Immediate Past  
President, Australian Education Union  
(SA Branch).*



**Kylie Heneker,**  
*Government Relations and  
Communications Professional.*



**Dr Michael Keating AC,**  
*Director of Insight Economics,  
past member of the South Australian  
Economic Development Board.*



**Nigel McBride,**  
*Chief Executive of Business SA.*



**Stephen Myatt,**  
*Director of the Australian Industry  
Group South Australian Branch.*



**Lindsay Palmer JP,**  
*Former Member of Parliament,  
School Principal and Industry Consultant.*



**Jamie Newlyn,**  
*South Australian Branch Secretary  
Maritime Union of Australia.*

# Contents

<b>Preamble</b>	<b>4</b>
> <i>The Aspirations of the Training and Skills Commission since 2008</i>	4
> <i>Forward Agenda</i>	5
<b>Executive Summary</b>	<b>6</b>
> <i>Recommendations to the Minister</i>	9
<b>Chapter 1: Economic Outlook and Industry Demand for Qualifications</b>	<b>10</b>
> <i>Projecting the Economic Outlook and Industry Demand for Qualifications</i>	11
> <i>Results of the Modelling</i>	12
> <i>Employment Outlook</i>	13
> <i>Industry Demand for New Qualifications</i>	15
> <i>Qualification-Linked Occupations</i>	19
<b>Chapter 2: Delivering a Skilled Workforce</b>	<b>26</b>
<b>Chapter 3: A New Demand-Driven System: Capacity Management</b>	<b>28</b>
> <i>VET Market Sustainability</i>	28
> <i>Capacity Management</i>	31
> <i>Capacity Management System Framework</i>	34
<b>Chapter 4: The Commission's Aspirational View of the VET System (by 2025)</b>	<b>38</b>
> <i>Industry Engagement and Quality</i>	38
> <i>Apprenticeships and Traineeships</i>	39
> <i>Supporting Regional Workforces</i>	41
<b>Chapter 5: The Commission's 2014 Policy Discourse</b>	<b>42</b>
> <i>Who Should Pay for Training?</i>	42
> <i>VET for School-Enrolled Students</i>	45
> <i>Group Training Organisations</i>	47
> <i>Supporting our Public Provider</i>	49
<b>Chapter 6: The Participation Challenge</b>	<b>52</b>
> <i>Understanding and meeting the challenges of Access and Participation</i>	52
> <i>The Commission's Access and Participation Focus</i>	60

# Preamble

## The Aspirations of the Training and Skills Commission since 2008

Under the *Training and Skills Development Act 2008* the Training and Skills Commission has released seven (7) South Australian Workforce Development Plans and four (4) occasional papers on topics including VET in SACE and economic development; held five (5) public forums and seven (7) regional consultations; provided submissions to many reviews; and consulted with hundreds of employers, training providers, industry stakeholders and government officials – all to inform its policy deliberations and advice to the State Government.

The Commission has remained vigilant to the ever-changing needs of the South Australian economy and employers in advising how the Government can best invest in a highly skilled workforce.

The Commission's objective has always been that South Australia be in a position to provide the best Vocational and Education Training (VET) system in Australia. It is clear that South Australia, having undergone nation-leading reform and benefiting from the lessons of others, has produced a high-quality system that in the past has substantially met the needs of industry and South Australia's economy. The Commission's independent advice, leadership and governance have resulted in valuable and actionable recommendations to the Minister over the years.

The Commission's major achievements do not necessarily reflect the adoption of specific recommendations released in its plans but rather in the actions, activities and perceptions of stakeholders of the South Australian VET system, and the success of this system overall.

The State Governments' flagship policy in the VET sector, *Skills for All*, originally mirrored the major recommendations of the Commission in 2009. However circumstances, as explored in this Plan, have required changes to the policy settings that have now moved away from those original recommendations.

The Commission last year suggested how the Government could better deliver on the original *Skills for All* policy. However, given the constrained budget allocation, it is the Commission's view that the conceptual framework for *Skills for All* now requires change.

The Commission strongly advocated for TAFE SA to become a statutory authority and has since made strong representations on strengthening its role in the rapidly changing VET policy field.

The Commission has looked to ensure streamlined processes for employers engaging apprentices and trainees while ensuring the quality training outcomes for students are maintained.

It is the firm belief of the Commission that the quality VET system that South Australia has today is strongly reliant on stakeholder engagement and independent checks and balances on the activities of the department and training providers. It is an enviable position and one to which the Commission remains committed.

The Commission has long held as one of its core objectives the promotion of South Australia's VET sector. There is some way to go to eliminate the concept in some people's minds that VET plays a less important role than higher education, but the Commission's continuation of activities such as hosting the State Training Awards, supporting the Adult Community Education Awards and promoting good interdependency between employers and training providers will make progress in lifting VET's community profile.

It is evident that the policy settings determined centrally have in some cases failed to adequately address the unique nature of our regions. The Commission specifically tailored its consultation to ensure regional voices were heard and consulted within all major regional centres over the last four years, and is encouraged by the input received.



## Forward Agenda

One of the Commission's fundamental concerns is the need to improve the quality of skills developed within South Australia's tertiary education system. This is especially the case for those components of the labour market concerned with intermediate skills, such as those related to trades, technician or equivalent level training requiring Certificate II, III, IV or Diploma qualifications.

As noted above and explored in detail within this plan, the Commission has recommended a rationalisation of VET training capacity. This aims to ensure the state has fewer vocational educators who are able to compete on their capacity to provide quality skill development and employment outcomes.

The unfettered growth of registered training organisations (RTOs) competing on the price of qualifications delivered has limited the ability to build a workforce capable of addressing future challenges. In the coming year we will explore how the system is resourced so it can better contribute to individuals and workplaces being able to respond to changing circumstances.

Further, in 2015 the Commission will:

- Provide thought leadership on Training Package reform – both the governance of how Training Packages are created and maintained but more importantly how they can underpin greater quality outcomes for students and employers.
- Engage with stakeholders to determine 'best-practice' models for training providers to engage with industry to ensure that their offerings support training pathways linked to employment that is aligned to industry demand.
- Explore alternative pedagogical structures within the VET system, which considers and encompasses the diverse educational needs of specific student groups (including culturally diverse, people with a disability and those with severe learning difficulties) to address an individual's learning aptitude. Exploration and intended application of a modern pedagogy should seek to reverse the current systematic framework that moulds a student into the system towards moulding the system of learning to the student.



# Executive Summary

The South Australian economy is at a crossroads. Forecasts of global economic conditions for the next few years are being revised downwards; this outlook has naturally affected that of the Australian economy and in turn the prospects for South Australia. In addition, while structural adjustment is an enduring aspect of economic development, there is some evidence that it has recently accelerated in Australia in response to the mining boom and the high Australian dollar, and again South Australia, which is relatively dependent on manufacturing, is particularly affected.

Further, recent high levels of State Government investment in infrastructure are expected to return to more normal levels. As a result, the Commission predicts a more subdued economic outlook in the short to medium term with downward growth projections, particularly in the manufacturing and construction industries.

In this critical period of economic transition we are more than ever reliant on the skills and productivity of our people. The jobs of today will be different in the future. From low-skilled occupations to extremely specialised fields, the technologies employed and the way work is organised, the skills required, the tasks undertaken, the environments, the expectations and the output of jobs will change. Preparing the State's workforce for this somewhat unpredictable future must be balanced against the more immediate need for South Australia's industries and businesses to have a readily accessible, skilled and semi-skilled workforce now. As described later in this plan, this balance can best be achieved by developing the capacity of the workforce to adapt while meeting the specific skill demands for work as it is presently organised.

In an environment of economic uncertainty, the need for a focus on workforce skills will require continued attention on innovation and improvements in productivity. The creation of high-wage, high-skilled occupations stemming from the diversification of traditional industry sectors and emergence of the service economy will support future workforce productivity. This vision for South Australia will be achieved only by capitalising on the state's unique strengths and transforming its traditional manufacturing base.

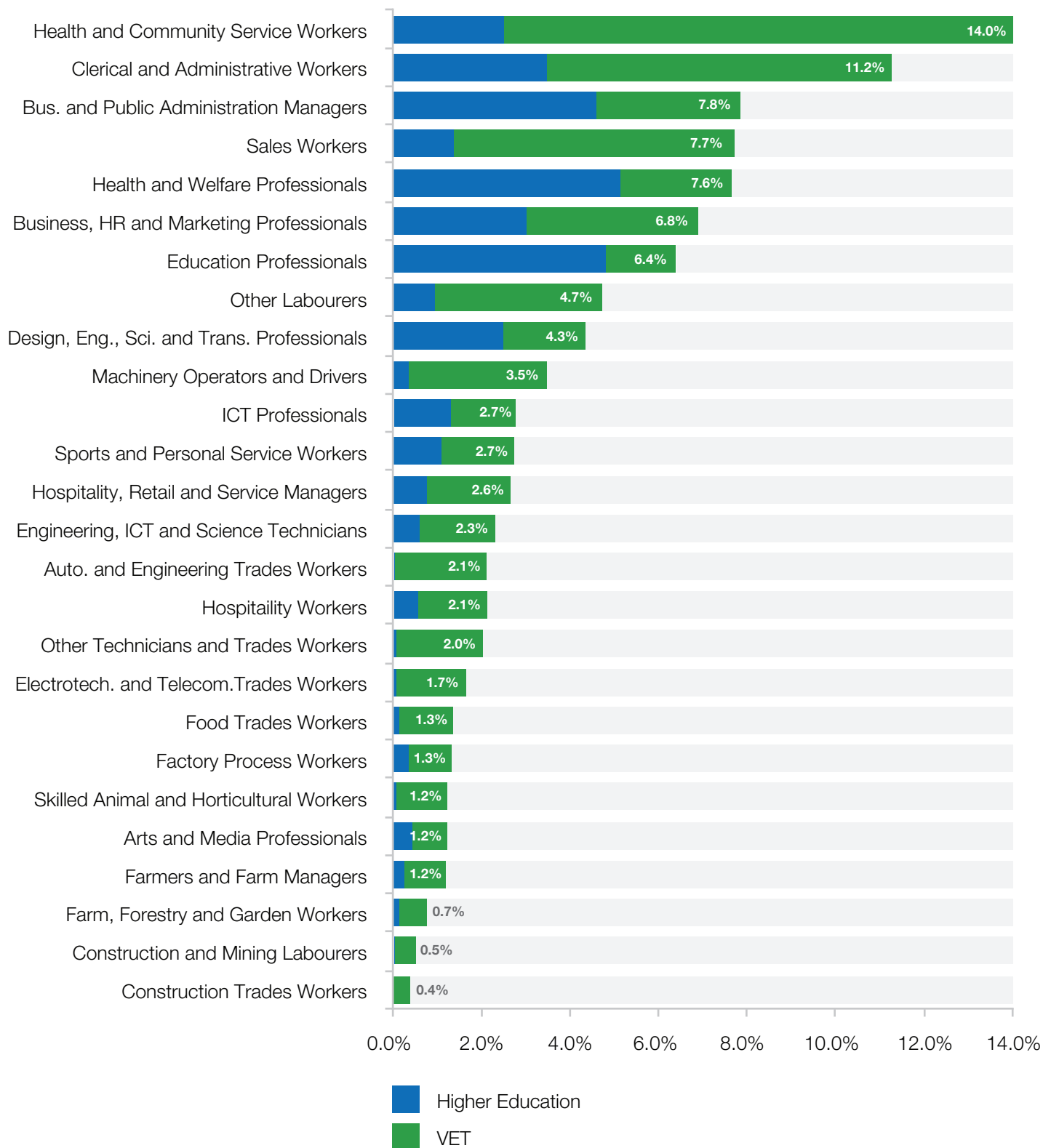
The challenges associated with subdued economic growth provide for a greater focus on workforce development borne through innovative practices and improvements in productivity, creativity and flexibility. Education and training are fundamental to preparing the future workforce for the changing landscape and composition of South Australia's labour market.

The Commission's recommendations look to address:

- **Efficient public expenditure.** The continued changes to training eligibility and funding do not promote strong public value for public expenditure. (The VET system must ensure sustainable and efficient destination-based results.)
- **Confidence and quality.** The system needs a quality assurance framework that ensures its graduates have the competencies needed in employment. Industry and other stakeholders must have confidence in the framework, and be involved in its design modification and implementation.
- **Skills for future jobs.** Students must complete their training confident that their employment prospects are enhanced. Training providers must ensure that training is immediately relevant and enables the learner to adapt readily to future changes.
- **Industry-led demand.** Evidence indicates that demand must inform the training system. Training providers do not necessarily have the same goals as industry. Accurate information and public policy guidance of student outcomes is critical.
- **Adult literacy and numeracy.** Low levels of literacy and numeracy are having a negative impact on business productivity. There must be a greater focus on ensuring all South Australians have the required literacy and numeracy to participate in the workforce.

The Commission's modelling of the economic and employment outlook has taken into consideration the marked change in conditions. As a consequence, the Commission has adopted a baseline scenario from which the impact of economic sensitivities and long-term structural changes on industry demand for qualifications can be assessed. These projections have been informed by consultations with key industry stakeholders about existing and emerging factors likely to affect the future demand for skills and workforce development.

**Figure 1: TaSC Demand for New Qualifications by Occupational Group  
(VET and Higher Education 2012-13 to 2017-18)**







It is the Commission's view that a fundamental role of Government is to remove barriers and redress structural disadvantage to improve access to VET and increase labour force participation. Raising adult language, literacy and numeracy skills is central to expanding participation and enabling workers to take advantage of new opportunities in line with South Australia's skills and workforce development priorities.

Stakeholders have expressed concern about the proliferation of qualifications and sometimes tenuous links between training delivery and employment outcomes. The Commission suggests Government must increase community understanding about how qualifications can support occupational outcomes, including pathways to further training and employment. Ultimately, the aim must be to align qualifications with industry needs.

The evolving VET landscape has led to a decline in traineeship and apprenticeship activity across the system. Reasons include the prevailing economic conditions, which affect the willingness and ability of employers to take on trainees and apprentices - due in part to the removal of incentive payments and exemptions. The Commission remains concerned at the risks to economic growth if this decline is not reversed.

The Commission has continued to monitor the public funding of *Skills for All* to support the state's VET system. It has also identified a need to recalibrate policy settings in light of the current (State and Commonwealth) budgetary context and other social and economic influences on the funding envelope. A specific outcome of this process will be to address the frequent changes to the Funded Training List (FTL), which imposes caps and changes to subsidy rates to meet budget constraints.

The Commission has confirmed its position that public investment in training activity must be targeted at meeting the strategic skill needs of industry and should prioritise sustainable investment in areas of greatest public value. Information about how funds are allocated and used must be publicly available and transparent.

In this plan the Commission proposes the implementation of a Capacity Management system to determine the allocation of publicly funded training places according to industry demand. A Capacity Management system will support long-term planning and create a competitive market of viable and sustainable training providers essential to the efficacy of the VET system in South Australia.

The South Australian VET system holds an outstanding reputation for training standards. Caution must be exercised to balance any deregulation with how such deregulation will achieve a commensurate improvement in quality.

This year's plan details how extensive industry consultation has been vital to the Commission's views and recommendations.



## Recommendations to the Minister

The Commission's recommendations to the Minister for Employment Higher Education and Skills have been informed by industry and stakeholder engagement over the past two years.

The Commission recommends that the Minister for Employment, Higher Education and Skills:

### **Recommendation 1:**

#### **Delivering a Skilled Workforce (p.27)**

Ensures the Department of State Development (DSD) undertakes a comprehensive analysis of market failures in the tertiary education sector, including regional and remote areas, thin markets, Qualification-Linked Occupations and the public provider.

### **Recommendation 2:**

#### **Capacity Management (p.36)**

Implement a Capacity Management system to increase the quality outcomes (including employment) of publicly funded training, to support a more sustainable VET market and enable long-term planning capability for approved training providers.

### **Recommendation 3:**

#### **Capacity Management (p.36)**

Incentivise Registered Training Organisations (RTOs) to provide student destination data, including employment outcomes, within six (6) months of publicly funded course completion.

### **Recommendation 4:**

#### **Capacity Management (p.37)**

Ensure the responsibility of Registered Training Organisations (RTOs) to graduate students with the skills required by industry is supported through increasing the provision of existing payment structure incentives for the work placement component of training packages delivered by RTOs.

### **Recommendation 5:**

#### **Capacity Management (P.37)**

Remove the universality of the Funded Training List (FTL) by quarantining funds for training linked to employment outcomes, contracts of training, group training organisations, equity groups and the needs of regions from universal caps.

### **Recommendation 6:**

#### **Supporting Regional Workforces (p.41)**

Establish regional educational hubs that provide a coordinated approach to training delivery through improved transport infrastructure, online access and support services.

### **Recommendation 7:**

#### **Who Should Pay for Training (p.44)**

Request the Department of State Development (DSD) to commission independent advice on the indirect costs of training participation to employers, recognising that the real cost of training for enterprises is multifaceted and rarely captured within the discourse of employer contributions.

### **Recommendation 8:**

#### **Who Should Pay for Training (p.44)**

Implement a shared contribution model in which training costs are shared between students, providers and employers, taking into consideration the direct and indirect costs of training delivery.

### **Recommendation 9:**

#### **VET for School-Enrolled Students (p.46)**

Promote VET qualifications to secondary school students as a legitimate and valuable pathway to further training and employment and completion of the South Australian Certificate of Education (SACE).

### **Recommendation 10:**

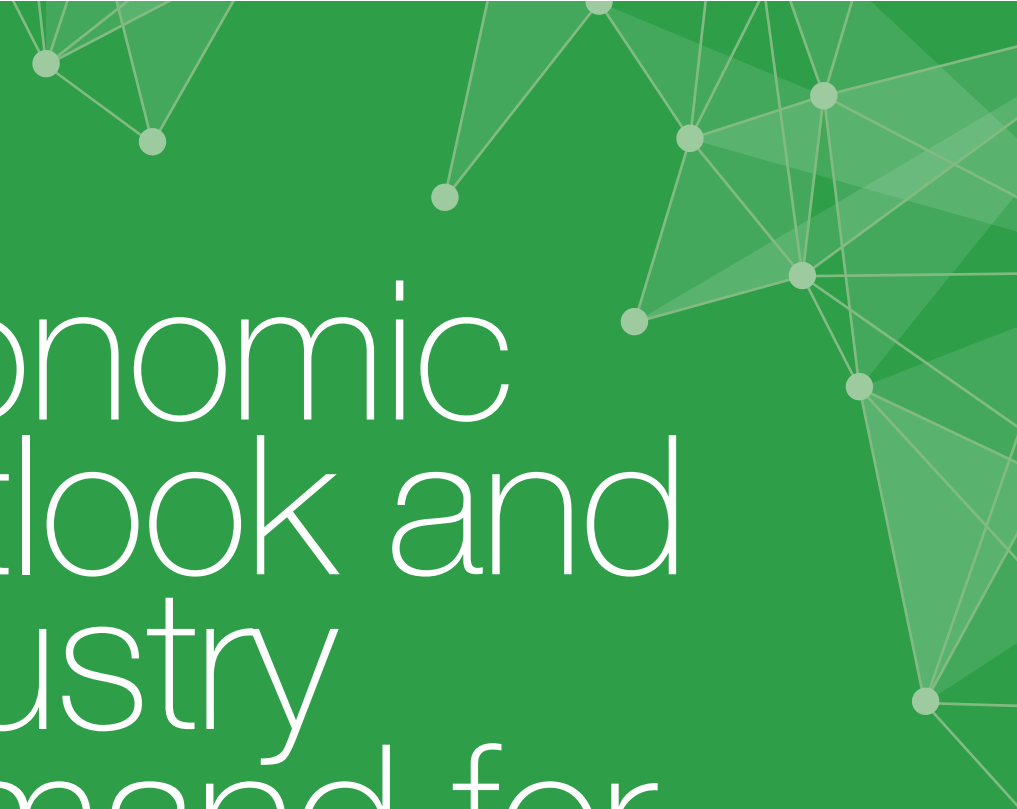
#### **Supporting the Public Provider (p.51)**

Ensure the funding arrangements to TAFE SA provides more transparent support through the transition period to a more contestable VET environment. A new funding model should identify and allocate funding that recognises the unique nature of the public provider while not protecting its full breadth of services otherwise offered in a contestable market.

### **Recommendation 11:**

#### **Access and Participation (p.65)**

Prioritise resources for the promotion of Adult Community Education (ACE) as a learning gateway to further education and training, volunteering and employment and greater participation in the community.



# Economic Outlook and Industry Demand for Qualifications

South Australia's economy, consistent with national trends, is currently experiencing subdued economic growth. In the year to June 2014 State Final Demand in South Australia rose by 0.6 percent while Nationally Domestic Final Demand rose by 1.4 percent. Despite historically low interest rates, labour market conditions have softened and business and consumer sentiment is less optimistic than previously.

Increasing cost pressures have resulted in the closure of several businesses in a number of sectors; generally, business continues to focus on efficiency gains to ensure survival. All major vehicle manufacturing and associated supply chain operations will cease operating in Australia in 2017 with the effects already evident on employment.

Seasonally adjusted estimates indicate that total employment has fallen by 1.2 percent (or 12,130 persons) in the year to June 2014, from the previous year<sup>1</sup>. Despite this, the Commission is confident there are opportunities for growth.

The expected continued downward trend in the exchange rate should support growth and ease the pace of structural adjustment in those sectors that have experienced challenging business conditions, including manufacturing, international education, agriculture and tourism. In addition, while investment in mining appears to have returned to historical and more sustainable levels, South Australia has a solid future in the mining sector owing to additional mines coming online in the last 12 months. These mines will continue to inject significant wealth into the state economy, with continued, albeit moderated, demand from China and India.

<sup>1</sup> Labour Force Status by Sex – South Australia – Trend, Seasonally adjusted and Original, Aug 2014. Source: Australian Bureau of Statistics (ABS), Labour Force, Australia



## Projecting the Economic Outlook and Industry Demand for Qualifications

Against this backdrop, and with the uncertainty of future industry trends, projecting the economic outlook for South Australia involves a significant degree of uncertainty. To better understand the impact of this uncertainty on the demand for skills, the projections for industry demand for qualifications have been derived using sensitivity tests applied to a baseline.

In the short term, the baseline is informed by Australian Bureau of Statistics (ABS) projections of adult population growth and State Treasury projections for employment growth, Gross State Product (GSP) growth, and the unemployment rate. In the longer term, the baseline relies on a combination of ABS projections of adult population growth, State Treasury unemployment rate projections, Commonwealth Treasury productivity growth projections and participation rate projections, underpinned by Australian Workforce and Productivity Agency (AWPA) estimations of gender and age-specific participation rates. The sensitivity analysis involves the following variations from the baseline.

- **Stronger terms of trade shock:**

Deviation from the baseline in a manner consistent with the difference between the ‘smart recovery’ (guided by State Treasury projections) and ‘terms of trade shock’ scenarios in the 2013 plan. Compared with the baseline these employment projections are stronger for industries subject to direct international competition, because they are likely to benefit most from a devaluation of the exchange rate that can be expected to (eventually) accompany any fall in the terms of trade.

- **Subdued global economic outlook:**

Deviation from the baseline that represents the failure of domestic and international governments to mitigate successfully against a global economic downturn.

- **Accelerated structural adjustment:**

Deviation from the baseline due to structural adjustment that tends to favour high-tech industries such as mining, agriculture, and professional, scientific and technical services, offset by the relatively subdued performance of manufacturing, utilities, and (in the short term) construction.

The ‘subdued global economic outlook’ sensitivity test reflects a failure of governance, both internationally and domestically. The Commission, in line with AWPA, has previously determined that it should not be used as a basis of planning; it is therefore not included in this document’s projection ranges but is included in tables and figures for comparison purposes.

Given recent trends in key economic indicators and alignment with State Treasury projections, the Commission believes that the baseline represents the best estimate of future job openings and demand for qualifications. The Commission recommends that the projections be used as a basis for future skills planning. Failure to meet the projected levels of demand as indicated by the baseline projection would risk South Australia’s growth.

## Results of the Modelling

The Commission's key objective for modelling future qualification demand is to identify where policy action may be required. The Commission is not attempting to estimate the exact size of demand or supply at any particular point in time.

The table below provides the broad macroeconomic elements of the baseline projection over the short-term period 2012-13 to 2017-18.



**Table 1: Macroeconomic Assumptions by Sensitivity**

Key Macroeconomic Variables	History	Smart Recovery 2013 Plan		2014 Baseline		Accelerated Structural Adjustment		Stronger ToT Shock		Subdued Global Economic Outlook	
		Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
<b>South Australia</b>	<b>15yrs</b>										
Adult Population		1.0%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.2%	0.7%	0.7%
Labour Force		1.2%	1.1%	0.8%	1.0%	0.8%	1.0%	1.5%	1.3%	0.4%	0.4%
Employment		1.5%	1.1%	0.6%	1.0%	0.5%	1.0%	1.4%	1.3%	-0.3%	0.3%
Unemployment		-2.1%	0.6%	4.7%	0.1%	6.1%	0.5%	3.9%	-0.4%	9.5%	2.5%
Participation Rate		62.9%	65.8%	62.5%	62.8%	62.5%	62.8%	64.5%	63.2%	62.0%	60.7%
Unemployment Rate		5.8%	4.9%	6.9%	5.2%	7.4%	5.5%	6.5%	4.7%	8.9%	7.3%
GSP		2.5%	2.7%	2.2%	2.6%	2.2%	2.7%	2.9%	3.0%	0.2%	0.8%
Productivity		0.9%	1.5%	1.6%	1.5%	1.7%	1.7%	1.5%	1.6%	0.5%	0.5%

Note: Projections for Smart Recovery (2013) were for 2011-12 to 2016-17 (short term) and 2011-12 to 2024-25 (long term). All other projections are for 2012-13 to 2017-18 and 2012-13 to 2024-25. Participation and unemployment rates are for the end of the period rather than averages.

Between 2012-13<sup>2</sup> and 2017-18, it is estimated that Gross State Product (GSP) in South Australia will increase by at least 2.2 percent a year. However, there is the potential to grow by as much as 3 percent a year if the Australian economy experiences a strong downwards adjustment in the exchange rate in response to a shock decline in the 'terms of trade'. This 2.2 percent projected annual growth rate compares with the projection of 2.4 percent presented in our 2013 plan and historical growth of 2.5 percent a year. This downward revision is consistent with global and national revisions that acknowledge recent changes in the economic environment.

The principal influence of the sensitivity tests was on the four separate projections of employment growth that were derived. The other components of the demand for qualifications varied much less between the different sensitivity tests.

<sup>2</sup> The base year is 2012-13 – the most recent full year for which there is published reliable data to use as the basis for estimating future demand.



## Employment Outlook

It is estimated that growth in the South Australian economy will create more than 24,000 jobs in the five-year period 2012-13 to 2017-18. In the 2013 Five-Year Plan, 30,000 new jobs were projected for the 2011-12 to 2016-17 period.

The number of net job openings resulting from replacement demand in the five years to 2017-18 is estimated at 85,000. The combined impact of economic growth and the need to replace workers leaving the workforce or changing occupations provides a baseline projection of 109,000 total job openings over the next five years. However, the total could be as high as 141,000 or as low as 105,000, based on the aforementioned economic sensitivity analysis. This compares with 116,000 job openings projected in the 2013 Five-Year Plan between 2011-12 and 2016-17.

Over the 12-year period 2012-13 to 2024-25, the baseline projection is that growth in the South

Australian economy will create 104,000 new jobs but with an upper possibility of as many as 141,000 new jobs. Over the same period, the number of net job openings resulting from replacement demand is estimated to be around 194,000 but could be as high as 212,000. Together, these factors indicate an estimated 298,000 job openings over the next 12 years, with an upper possibility of 336,000. This compares with the adjusted job openings of 336,000 from the 2013 Five-Year Plan (with an upper bound of 432,000).

Under the baseline projections, the industry structure of South Australia would see an economy more reliant on health care and social assistance, education and training and professional scientific and technical service, but less reliant on manufacturing. An accelerated structural adjustment would favour high tech industries such as mining and agriculture and a stronger terms of trade shock would favour industries subject to international competition such as manufacturing.

**Table 2: Projected Industry Employment Shares for South Australia**

Industry	Year	History 15yrs	2014 Baseline		Accelerated Structural Adjustment		Stronger ToT Shock		Subdued Global Economic Outlook	
			17-18	24-25	17-18	24-25	17-18	24-25	17-18	24-25
Agriculture, Forestry & Fishing		3.9%	3.9%	3.5%	4.0%	3.7%	3.9%	3.5%	3.8%	3.3%
Mining		1.5%	1.5%	1.5%	1.5%	1.6%	1.5%	1.5%	1.3%	1.0%
Manufacturing		8.9%	7.5%	5.7%	7.1%	5.1%	7.6%	6.2%	8.5%	7.6%
Electricity, Gas, Water & Waste Services		1.2%	1.1%	0.9%	1.1%	0.9%	1.2%	1.0%	1.2%	1.0%
Construction		8.3%	7.6%	7.9%	7.5%	8.0%	7.5%	7.9%	7.1%	7.0%
Retail & Wholesale Trade		15.1%	14.7%	14.0%	14.7%	14.0%	14.6%	13.5%	15.1%	14.3%
Accommodation & Food Services		6.3%	6.2%	5.8%	6.3%	5.8%	6.4%	6.0%	6.5%	6.1%
Transport, Postal & Warehousing		4.5%	4.6%	4.6%	4.6%	4.6%	4.5%	4.3%	4.5%	4.5%
Information Media & Telecommunications		1.7%	1.6%	1.5%	1.6%	1.5%	1.5%	1.4%	1.5%	1.5%
Financial & Insurance Services		2.7%	2.8%	2.9%	2.8%	2.9%	2.6%	2.7%	2.6%	2.7%
Rental, Hiring & Real Estate Services		1.6%	1.7%	1.6%	1.7%	1.6%	1.7%	1.4%	1.8%	1.6%
Professional, Scientific & Technical Services		6.1%	6.3%	7.1%	6.4%	7.3%	6.1%	6.9%	5.5%	6.6%
Administrative & Support Services		3.3%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	2.9%	3.1%
Public Administration & Safety		6.6%	6.6%	6.4%	6.7%	6.4%	6.8%	6.4%	6.8%	6.4%
Education & Training		8.5%	9.1%	9.9%	9.2%	9.9%	9.6%	10.3%	9.1%	10.5%
Health Care & Social Assistance		14.3%	16.1%	18.3%	16.2%	18.3%	15.9%	18.5%	16.3%	17.6%
Arts & Recreation Services		1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%	1.6%	1.6%
Other Services		4.0%	3.9%	3.7%	3.9%	3.7%	3.9%	3.6%	3.9%	3.6%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Table 3: Projected Average Annual Employment Growth Rates by Industry for South Australia**

Industry	History 15yrs	2014 Baseline		Accelerated Structural Adjustment		Stronger ToT Shock		Subdued Global Economic Outlook	
		Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
Agriculture, Forestry & Fishing	-2.2%	0.5%	0.1%	0.6%	0.4%	0.9%	0.4%	-1.0%	-1.3%
Mining	8.5%	0.3%	1.1%	0.5%	1.2%	0.5%	1.2%	-3.8%	-3.0%
Manufacturing	-2.0%	-2.6%	-2.6%	-3.8%	-3.6%	-1.6%	-1.6%	-1.1%	-1.0%
Electricity, Gas, Water & Waste Services	3.5%	-1.2%	-1.5%	-1.6%	-1.6%	0.9%	-0.4%	-0.9%	-1.9%
Construction	4.2%	-1.1%	0.7%	-1.3%	0.7%	-0.5%	1.0%	-3.2%	-1.1%
Retail & Wholesale Trade	1.4%	0.1%	0.4%	0.1%	0.4%	0.7%	0.4%	-0.2%	-0.2%
Accommodation & Food Services	1.1%	0.4%	0.3%	0.4%	0.3%	1.8%	0.9%	0.2%	-0.1%
Transport, Postal & Warehousing	2.3%	1.2%	1.3%	1.2%	1.3%	1.7%	1.1%	-0.1%	0.4%
Information Media & Telecommunications	1.0%	-1.2%	0.0%	-1.2%	0.0%	-0.8%	-0.2%	-2.5%	-0.8%
Financial & Insurance Services	0.9%	1.6%	1.7%	1.6%	1.7%	1.0%	1.5%	-0.6%	0.5%
Rental, Hiring & Real Estate Services	2.0%	1.9%	0.7%	1.9%	0.7%	2.2%	0.3%	1.5%	0.1%
Professional, Scientific & Technical Services	2.6%	1.1%	2.3%	1.3%	2.5%	1.4%	2.4%	-2.5%	0.9%
Administrative & Support Services	1.6%	-0.7%	0.5%	-0.7%	0.5%	0.2%	0.8%	-2.6%	-0.1%
Public Administration & Safety	3.2%	0.6%	0.8%	0.6%	0.8%	1.8%	1.0%	0.1%	-0.1%
Education & Training	2.7%	2.0%	2.3%	2.0%	2.3%	3.8%	3.0%	1.0%	2.0%
Health Care & Social Assistance	3.1%	3.1%	3.1%	3.1%	3.1%	3.5%	3.6%	2.4%	2.0%
Arts & Recreation Services	1.5%	1.0%	1.2%	1.0%	1.2%	2.5%	2.2%	0.7%	0.6%
Other Services	-0.1%	0.0%	0.2%	0.0%	0.2%	0.6%	0.5%	-1.0%	-0.8%
<b>Total</b>	<b>1.5%</b>	<b>0.6%</b>	<b>1.0%</b>	<b>0.5%</b>	<b>1.0%</b>	<b>1.4%</b>	<b>1.3%</b>	<b>-0.3%</b>	<b>0.3%</b>

**Table 4: Short Term Job Openings (2012-13 to 2017-18)**

Job Openings	2013*	Base	ASA	ToT	SGEO
Expansion Demand	30,000	24,000	20,000	57,000	-12,000
Replacement Demand	86,000	85,000	85,000	84,000	89,000
Job Openings	116,000	109,000	105,000	141,000	77,000

\*Smart Recovery scenario: 2011-12 to 2016-17.

**Table 5: Long Term Job Openings (2012-13 to 2024-25)**

Job Openings	2013*	Base	ASA	ToT	SGEO
Expansion Demand	118,000	104,000	101,000	141,000	25,000
Replacement Demand	218,000	194,000	212,000	195,000	204,000
Job Openings	336,000	298,000	313,000	336,000	229,000

\*Smart Recovery scenario: 2011-12 to 2024-25.

## Industry Demand for New Qualifications

This analysis focuses on industry demand for qualifications, consistent with the Commission's approach in 2013 and in response to the introduction of a demand-driven VET system in South Australia.

The Commission believes that industry demand rather than student demand should drive workforce planning across the economy. Government's role should be to guide students to areas in which there is likely to be a demand for skilled workers that cannot be met through the general flexibility of the labour market. Under *Skills for All*, the main mechanisms for guiding student demand is the provision of labour market information and the application of caps and incentives (that is, fee-free courses and subsidy levels).

The Commission's modelling of qualification demand includes:

- Skilling requirements of entrants, to fill job openings resulting from employment growth and replacement demand.
- Upskilling of existing workers (completing higher-level qualifications).
- Existing workers gaining equivalent or lower-level qualifications (referred to as 'skills broadening').
- Demand for lower-level qualifications that enable people to undertake higher-level qualifications needed by industry (that is, 'pathways' demand).
- Demand by people who are not employed and who represent a necessary reserve capacity (that is, reserve labour force demand).

The qualification profile results for entrant, broadening, upskilling, pathways and reserve labour force demand is located in Volume 2 – Detailed Modelling Results and Methodology.

The combined demand for qualifications (from new entrants, existing workers, pathways demand and demand from the reserve labour force) results in a projected total demand of 223,000 (but possibly as many as 246,000) qualifications over the five-year period to 2017-18, and 569,000 (but possibly 602,000) qualifications over the 12-year period to 2024-25.



This compares with projected demand for 236,000 qualifications between 2011-12 and 2016-17 in the 2013 Plan (with an upper bound of 277,000) and – after adjusting projections from the 2013 Five-Year Plan to obtain comparable figures for the period to 2024-25 – 620,000 over the long term (with an upper bound of 754,000).

It should be noted that the variation in projections for industry demand for new qualifications across the sensitivity tests is less significant than the variation in the different employment projections for each of these tests. More importantly, it is expected that the variation in the projected demand for qualifications across the different occupational groups will be even smaller; qualifications relate more to occupations than to industries, as most qualifications are transferable across different industry sectors.

In the short term, the exchange rate depreciation associated with a stronger 'terms of trade shock' provides a boost to those industries subject to direct international competition and results in stronger industry demand for new qualifications. Accelerated structural adjustment results in industry demand for qualifications in line with the baseline in the short term as the relatively subdued employment performance for manufacturing, utilities, and construction is offset by stronger qualification needs in an economy increasingly reliant on high-tech industries such as mining, agriculture, and professional, scientific and technical services. Over the period to 2024-25, industry demand for new qualifications will increase due to a stronger 'terms of trade shock' and, to a lesser extent, accelerated structural adjustment.

**Table 6: Total Demand for New Qualifications (2012-13 to 2017-18)**

Qualification Level	2013*	Base	ASA	ToT	SGEO
Post Graduate	23,000	25,000	25,000	29,000	22,000
Bachelor degree	54,000	51,000	51,000	60,000	44,000
Advanced Diploma/Diploma	34,000	36,000	37,000	40,000	33,000
Certificate IV	29,000	26,000	27,000	28,000	25,000
Certificate III	63,000	58,000	58,000	63,000	52,000
Certificate II	29,000	24,000	24,000	26,000	24,000
Certificate I	4,000	2,000	2,000	2,000	2,000
<b>Total</b>	<b>236,000</b>	<b>223,000</b>	<b>222,000</b>	<b>246,000</b>	<b>201,000</b>

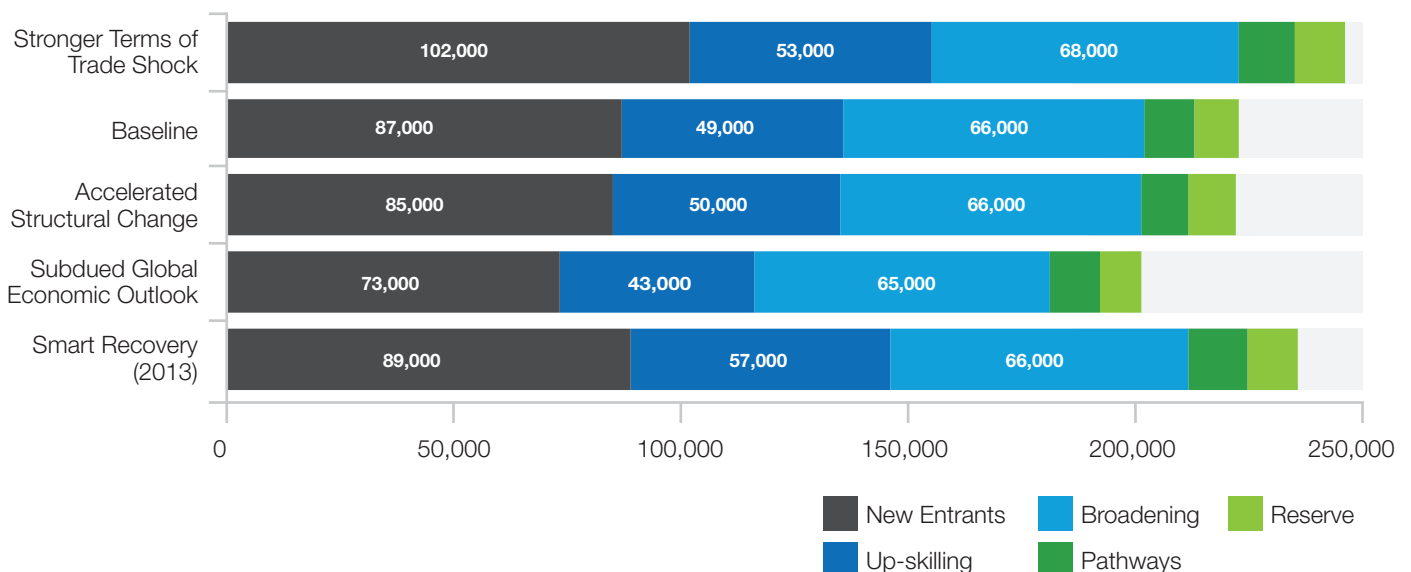
Components may not add to total due to rounding. \*Smart Recovery Scenario 2011-12 to 2016-17.

**Table 7: Total Demand for New Qualifications (2012-13 to 2024-25)**

Qualification Level	2013*	Base	ASA	ToT	SGEO
Post Graduate	64,000	64,000	66,000	69,000	56,000
Bachelor degree	141,000	127,000	131,000	137,000	109,000
Advanced Diploma/Diploma	89,000	91,000	94,000	97,000	82,000
Certificate IV	88,000	70,000	72,000	74,000	64,000
Certificate III	160,000	146,000	151,000	154,000	130,000
Certificate II	70,000	69,000	70,000	71,000	64,000
Certificate I	7,000	2,000	2,000	2,000	2,000
<b>Total</b>	<b>620,000</b>	<b>569,000</b>	<b>583,000</b>	<b>602,000</b>	<b>506,000</b>

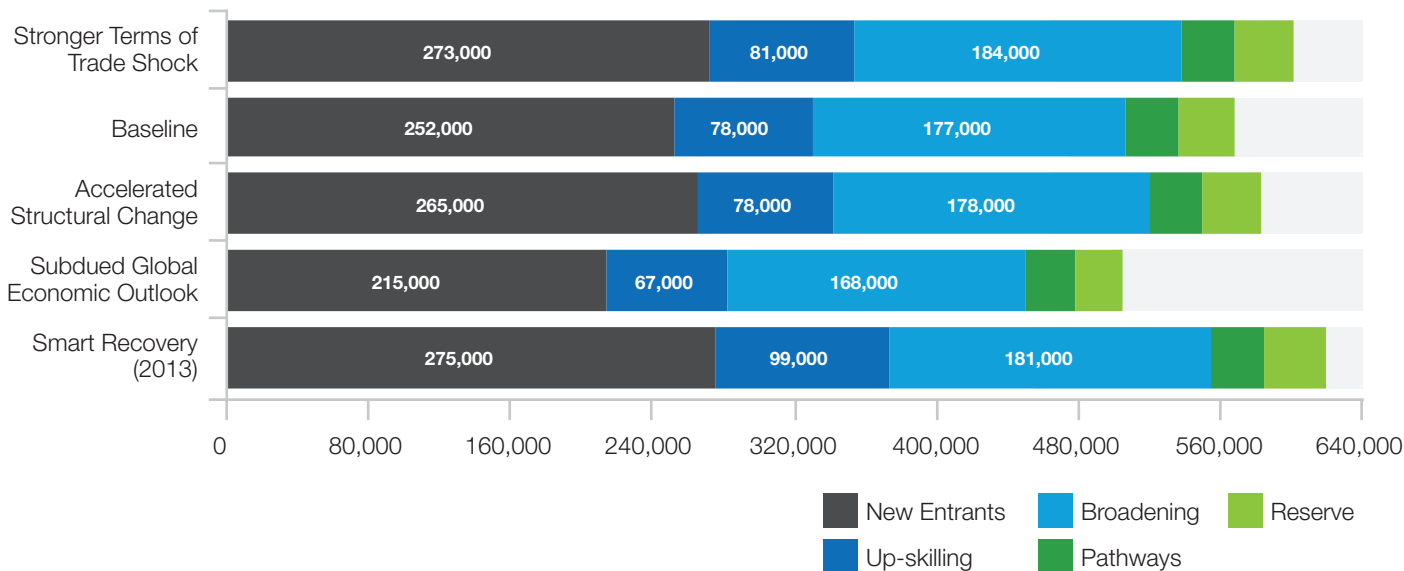
Components may not add to total due to rounding. \*Smart Recovery Scenario 2011-12 to 2024-25.

**Figure 2: Total Demand for New Qualifications (2012-13 to 2017-18)**





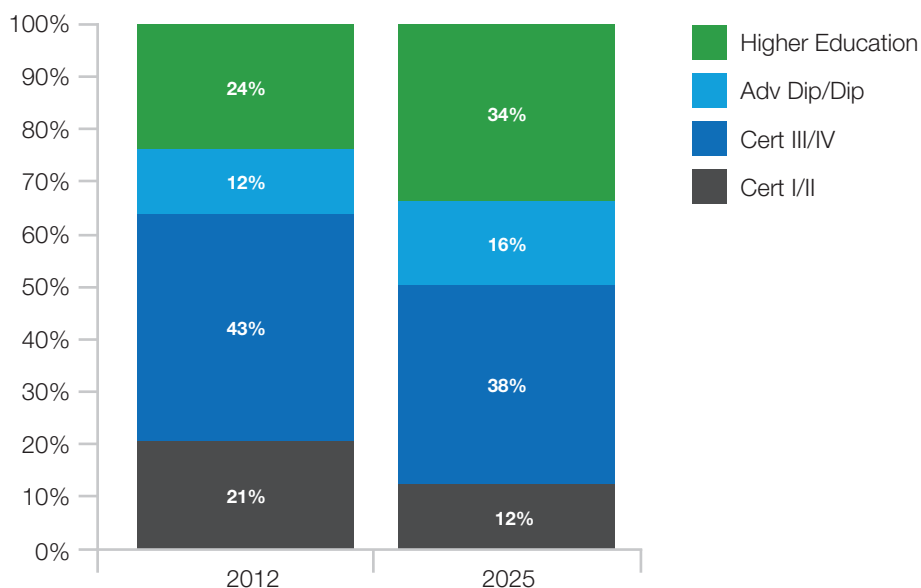
**Figure 3: Total Demand for New Qualifications (2012-13 to 2024-25)**



Given the move to a more demand-driven VET system, the Commission is uncertain how the supply of VET skills will respond to future demand. This uncertainty is exacerbated by State Government budget conditions that affect its investment in training over the coming years. A critical feature of *Skills for All* is that supply can respond quickly to industry demand for skills and qualifications; that is, that industry demand should drive the system and workforce planning, with skills supply and funding to provide those skills allocated to meet that demand.

Projecting the supply of qualifications by extrapolating recent trends and taking account of known policy changes, the Commission believes that growth in the supply of qualifications will generally meet industry demand as projected in the baseline. If current training activity is compared to future industry demand for qualifications, it is evident there will be more reliance on higher education and higher level VET (Advanced Diploma and Diploma) qualifications, as shown below.

**Figure 4: The Changing Qualification Profile Demand, 2012 to 2025**





This projected change in the qualification profile of training activity in South Australia, as well as the Commission's anticipated reversal of the increasing market share of private providers so far under *Skills for All*, is expected to result in higher costs of training. This suggests additional policy action may be required over the medium to long-term to ensure sufficient supply. Policy considerations could include adjustments in total funding, (financial and non-financial) incentives and improving the cost efficiencies of delivery.

The 'Detailed Modelling and Methodology' section in Volume 2 outlines our approach and results.

**Table 8: Total Demand for New Qualifications by Occupation Group (2012-13 to 2017-18)**

Occupational Group	Base	ASA	ToT	SGEO
Business & Public Administration Managers	17,500	17,300	19,000	15,700
Farmers & Farm Managers	2,700	2,800	2,700	2,600
Hospitality, Retail & Service Managers	5,900	5,900	6,900	5,400
Arts & Media Professionals	2,800	2,800	2,900	2,600
Business, Human Resources & Marketing Professionals	15,300	15,400	16,000	12,700
Design, Engineering, Science & Transport Professionals	9,500	9,600	9,600	7,900
Education Professionals	14,200	14,200	17,800	13,400
Health & Welfare Professionals	17,000	16,900	20,600	13,600
ICT Professionals	6,200	6,200	6,400	4,700
Engineering, ICT & Science Technicians	5,100	5,000	5,700	4,000
Automotive & Engineering Trades Workers	4,600	4,600	5,200	4,400
Construction Trades Workers	800	800	800	700
Electrotechnology & Telecommunication Trades Workers	3,600	3,500	3,600	3,000
Food Trades Workers	3,000	2,900	3,800	2,900
Skilled Animal & Horticultural Workers	2,700	2,700	3,100	2,300
Other Technicians & Trades Workers	4,400	4,400	5,100	3,900
Health & Community Service Workers	31,200	31,500	34,100	29,100
Hospitality Workers	4,700	4,700	4,900	4,700
Sports & Personal Service Workers	6,000	6,000	6,500	5,700
Clerical & Administrative Workers	25,000	25,300	27,000	22,000
Sales Workers	17,200	17,200	18,300	16,700
Machinery Operators & Drivers	7,600	7,600	8,200	7,000
Construction & Mining Labourers	1,100	1,100	1,000	600
Factory Process Workers	2,900	2,800	3,000	3,500
Farm, Forestry & Garden Workers	1,700	1,700	1,800	1,400
Other Labourers	10,400	10,400	11,700	9,600
<b>Total</b>	<b>223,000</b>	<b>222,000</b>	<b>246,000</b>	<b>201,000</b>

## Qualification-Linked Occupations

For most occupations there is no direct relationship between the specific qualification studied and the jobs a person holds. For these occupations, the labour market is generally effective in responding to changing skill needs and economic fluctuations. However, for some occupations, where there is a much closer relationship between the job and a specific qualification, and where the training duration is typically long and relatively expensive, there is potential for market failure because the labour market is less able to adjust quickly. Furthermore, because the skills for these Qualification-linked Occupations (QLOs) are highly specific, the qualifications are not readily transferable.

The name given to these occupations has changed from previous iterations of the Commission's plan from Specialist Occupations to QLOs, owing to ambiguity in the word 'specialist' and potential misinterpretation of the concept of 'specialist' as 'special' or 'particularly important'.

The aim of identifying QLOs is to highlight where detailed workforce planning may be useful and government intervention in skills planning may add value. Various data and information sources have been used to assess occupations against the four criteria. The methodology used to identify QLOs is provided in the 'Detailed Modelling and Methodology' section of Volume 2.

It should be noted that categorising an occupation as a QLO in no way reflects its importance to the economy or in gaining financial rewards. In addition, the criteria used to define a QLO do not indicate whether an occupation is currently facing a prospective excess or shortage of skills.

The Commission has adopted the following criteria for defining QLOs in the South Australian labour market.

### Criterion 1

The skills are deployed for the uses intended (close occupational link).

### Criterion 2

The skills are highly specialised and require extended learning and preparation over several years.

### Criterion 3

The opportunity cost of the skills being in short supply is high (causing either bottlenecks in the supply chain or imposing significant costs by their absence) and/or the skills are required to implement the government's economic development priorities.

### Criterion 4

There is robust intelligence from industry regarding the demand, supply and use of these skills; and there is adequate data available to assess the first three criteria.

These criteria align closely with those used by the AWPA to identify 'specialised occupations' at the national level.

The Commission has identified 87 ANZSCO<sup>3</sup> occupations at the unit group level<sup>4</sup> in South Australia that meet its criteria. These represent just under one quarter of all occupations defined by the Australian Bureau of Statistics (ABS). Together, these 87 QLOs account for about 22 percent of total employment in South Australia and include professional occupations (52), technicians and trade workers (29), community and personal service workers (four) and managers (two).

<sup>3</sup> Australian and New Zealand Standard Classification of Occupations (ANZSCO)

<sup>4</sup> ANZSCO classifies occupations within the following hierarchy: Major Group, Sub-Major Group, Minor Group, Unit Group and occupations.

The Commission's QLO analysis focusses on the unit group level as this more specific category provides the most meaningful data for workforce planning.

While the occupations are presented as a list, they should not be thought to operate individually or in isolation. While each meets the Commission's criteria for QLOs, it is clear that occupations are continually changing for many reasons, including as a result of new technology. This is particularly the case in areas undergoing significant reform, such as health, where the boundaries between occupations are blurring. Indeed, job redesign can be an effective response to bottlenecks in many of these occupations. These changes are not necessarily captured in the top-down model or in the occupational classifications used by the ABS, and the Commission relies on industry intelligence to monitor these trends.

An analysis of predicted demand for QLO qualifications is the starting point for determining where government intervention in skills planning may be necessary. It also helps identify where other (non-training) workforce development responses may be required.

Table 9 provides an assessment for the 87 QLOs based on the Commission's baseline economic modelling. The key focus of the table is each occupation's risk assessment rating, which is a composite rating based on:

- Current labour market conditions (for example, are there insufficient workers with the necessary qualifications to meet demand).
- The projected level of industry demand for qualifications over the five-year period to 2017-18.
- An assessment of the training system's ability to supply sufficient skills.

In developing the risk assessment rating, more weighting has been given to industry demand for qualifications and current labour market conditions. Lower weighting has been given to the supply assessment.

The Commission contends that those occupations with a risk assessment rating of 'above average' should be closely monitored to ensure there are skills and workforce development strategies in place to meet industry demand. In contrast, in those occupations with a risk assessment rating of 'below average' there is less risk that the training system will be unable to respond to demand.

Table 9 also provides indicators (historical jobs growth, median age of workers and whether the occupation has been identified as being appropriate for targeting for migration purposes) that can be considered in conjunction with the risk assessment to guide decision-making in relation to workforce planning.

The following legend explains the ratings used in Table 9:

#### Historical Jobs Growth

↓	≤ -1.0% a year
●	-1.0 to 1.0% a year
●●	1.0 to 2.5% a year
●●●	2.5 to 5.0% a year
●●●●	>5.0% a year

#### DEEWR Skills Shortage Assessment (\* = National)

S	Shortage
R	Regional Shortage
D	Recruitment Difficulty

#### Job Openings

★	<100
★★	101 - 299
★★★	300 - 799
★★★★	>800

#### Demand for Qualifications

□	<200
□□	201 - 400
□□□	401 - 799
□□□□	>800



**Table 9: Qualification-Linked Occupational Assessment, Five Years to 2017-18**

Qualification-Linked Occupation	Current Employment	Historical Jobs Growth	Median Age	DEEWR Skills Shortage List	National Skilled Occupation List	Job Openings	Demand for Qualifications	Risk Assessment
<b>Managers</b>								
Construction Managers	2,870	↓	45		✓	★★★	□□□	Average
Engineering Managers	1,740	↓	45		✓	★★★	□□□	Average
<b>Professionals</b>								
Accountants	11,090	●●●	39		✓	★★★★	□□□□	Average
Agricultural and Forestry Scientists	990	●●●●	41		✓	★	□□	Below Avg
Air Transport Professionals	810	●●●	39			★	□□	Below Avg
Anaesthetists	370	●●●●	44		✓	★	□	Below Avg
Architects and Landscape Architects	1,200	●●●●	39		✓	★★	□□	Below Avg
Auditors, Company Secretaries & Corporate Treasurers	1,270	●●●●	41	D*	✓	★★	□□□	Average
Cartographers and Surveyors	1000	●●●●	40		✓	★★	□□	Average
Chemical and Materials Engineers	670	●●●●	36		✓	★★	□□	Average
Chemists, and Food and Wine Scientists	1,130	●●	40			★	□□	Below Avg
Chiropractors and Osteopaths	340	●	39		✓	★	□	Below Avg
Civil Engineering Professionals	2,430	●●	36		✓	★★★	□□□□	Average
Complementary Health Therapists	400	↓	48			★★	□□	Average
Dental Practitioners	930	●●●●	44		✓	★★	□□	Below Avg
Dietitians	270	●●●●	33			★	□	Below Avg
Early Childhood (Pre-primary School) Teachers	1,510	●●●●	47		✓	★★★	□□□	Average
Electrical Engineers	2,060	●●●●	38		✓	★★	□□□	Average
Electronics Engineers	550	↓	42		✓	★	□	Below Avg
Environmental Scientists	1,830	●●●●	38			★★★	□□□□	Above Avg

**Table 9: Qualification-Linked Occupational Assessment, Five Years to 2017-18**

Qualification-Linked Occupation	Current Employment	Historical Jobs Growth	Median Age	DEEWR Skills Shortage List	National Skilled Occupation List	Job Openings	Demand for Qualifications	Risk Assessment
Generalist Medical Practitioners	3,780	●●●●●	42		✓	★★★	□□□■	Average
Geologists and Geophysicists	1,050	↓	39			★★	□□	Average
Industrial, Mechanical and Production Engineers	2,250	●●	39		✓	★	□□□	Average
Internal Medicine Specialists	520	●●●●●	44		✓	★	□	Below Avg
Life Scientists	670	↓	40			★	□	Below Avg
Marine Transport Professionals	620	●●	47		✓	★	□□□	Average
Medical Imaging Professionals	1,150	↓	37	S	✓	★★	□□□	Above Avg
Medical Laboratory Scientists	1,650	↓	39		✓	★★	□□□	Average
Middle School Teachers	470	●●●●●	36			★★	□	Below Avg
Midwives	1,450	●●●●●	47		✓	★★	□□□	Average
Mining Engineers	1,130	●●●●●	37		✓	★★★	□□□	Average
Nurse Educators and Researchers	390	●●●●●	47			★★	□	Below Avg
Nurse Managers	980	↓	49			★★	□□	Average
Occupational & Environmental Health Professionals	1,650	●●●●●	46		✓	★★	□□□■	Average
Occupational Therapists	790	●●	32		✓	★★	□□	Below Avg
Optometrists and Orthoptists	220	●●	44		✓	★	□	Below Avg
Other Engineering Professionals	960	●●●●●	39		✓	★★	□□	Below Avg
Other Medical Practitioners	770	●●●●●	45		✓	★★	□□	Average
Other Natural and Physical Science Professionals	830	↓	41		✓	★★	□□	Below Avg
Pharmacists	860	↓	32			★	□	Below Avg
Physiotherapists	1,580	●●●	36	S	✓	★★★	□□□	Above Avg
Podiatrists	300	●●●●●	38		✓	★	□□	Average
Primary School Teachers	12,630	●●	44			★★★★	□□□■	Average

**Table 9: Qualification-Linked Occupational Assessment, Five Years to 2017-18**

Qualification-Linked Occupation	Current Employment	Historical Jobs Growth	Median Age	DEEWR Skills Shortage List	National Skilled Occupation List	Job Openings	Demand for Qualifications	Risk Assessment
Psychiatrists	240	↓	49		✓	★	▣	Below Avg
Psychologists	1,060	●●●●	43		✓	★★	▣▣	Below Avg
Registered Nurses	18,620	●●	45		✓	★★★★	▣▣▣▣	Average
Secondary School Teachers	9,710	●●	46		✓	★★★★	▣▣▣▣	Average
Solicitors	3,410	●●●●	39		✓	★★	▣▣▣	Average
Special Education Teachers	1,170	●●●●	49		✓	★★★	▣▣▣	Average
Speech Professionals and Audiologists	550	●	36		✓	★★	▣	Below Avg
Surgeons	480	●●●●	45		✓	★	▣	Below Avg
University Lecturers and Tutors	3,850	●●●	47			★★★★	▣▣▣▣	Average
Urban and Regional Planners	700	●●●●	39		✓	★	▣	Below Avg
Veterinarians	700	↓	39		✓	★★	▣▣	Below Avg
<b>Technicians and Trade Workers</b>								
Agricultural Technicians	270	●●	41			★	▣	Below Avg
Airconditioning and Refrigeration Mechanics	1,390	↓	34	R	✓	★★	▣▣▣	Above Avg
Aircraft Maintenance Engineers	1,140	●●●●	35			★	▣▣	Below Avg
Architectural, Building and Surveying Technicians	3,290	↓	43	S*		★★	▣▣▣	Above Avg
Automotive Electricians	620	↓	37	S	✓	★	▣	Average
Bricklayers and Stonemasons	700	↓	38	S*	✓	★	▣	Average
Carpenters and Joiners	2,370	↓	32		✓	★	▣▣	Below Avg
Civil Engineering Draftspersons and Technicians	1,050	●●●	39		✓	★★	▣▣	Below Avg
Electrical Distribution Trades Workers	3,910	●●●●	43	S*	✓	★★	▣▣▣	Above Avg
Electricians	8,200	↓	35		✓	★★★	▣▣▣▣	Average

**Table 9: Qualification-Linked Occupational Assessment, Five Years to 2017-18**

Qualification-Linked Occupation	Current Employment	Historical Jobs Growth	Median Age	DEEWR Skills Shortage List	National Skilled Occupation List	Job Openings	Demand for Qualifications	Risk Assessment
Electronics Trades Workers	2,380	↓	40		✓	★★	□□□■	Above Avg
Floor Finishers	240	↓	38	D*		★	□	Below Avg
Glaziers	280	↓	37	R*	✓	★	□	Below Avg
Medical Technicians	2,240	↓	41			★★★	□□□■	Above Avg
Metal Casting, Forging & Finishing Trades Workers	270	↓	45			★	□	Below Avg
Metal Fitters and Machinists	9,400	●●●●	41		✓	★	□□□■	Average
Motor Mechanics	8,530	●●●	38	S	✓	★★★	□□□■	Above Avg
Painting Trades Workers	870	↓	43		✓	★	□	Below Avg
Panelbeaters	1,360	↓	39	S		★	□□	Above Avg
Plasterers	550	↓	35	S*	✓	★	□	Average
Plumbers	2,250	↓	34		✓	★	□□	Below Avg
Roof Tilers	120	↓	37	S*		★	□	Average
Sheetmetal Trades Workers	570	↓	38	S	✓	★	□	Average
Structural Steel and Welding Trades Workers	6,080	↓	38	S	✓	★	□□□	Above Avg
Telecommunications Technical Specialists	500	●●●●	44		✓	★	□	Below Avg
Telecommunications Trades Workers	1,540	●●●●	43			★	□□	Average
Vehicle Body Builders and Trimmers	400	●●●●	44			★	□	Below Avg
Vehicle Painters	1,170	●●●●	35			★	□□	Below Avg
Wall and Floor Tilers	350	↓	36		✓	★	□	Below Avg
<b>Community and Personal Services Workers</b>								
Ambulance Officers and Paramedics	980	●●●	39			★★★	□□□	Average
Dental Hygienists, Technicians and Therapists	650	●●●●	42		✓	★★	□□	Average
Enrolled and Mothercraft Nurses	3,300	↓	47			★★★	□□□■	Above Avg
Police	3,860	↓	40			★★★	□□□■	Average



### Qualification-Linked Occupations (cont.)

For planning purposes (from an individual perspective as well as sector and economy-wide) it is important to consider how many job openings are likely to arise during the planning period. 'Job openings' take into account new jobs from growth in the economy, plus openings resulting from job turnover (workers leaving their occupation group for other employment or leaving the workforce altogether). Based on the Commission's modelling, about one-quarter of the QLOs (20 of the 87) are expected to have 'large' or 'very large' numbers of job openings (identified by ★★★ or ★★★★★ stars) over the five-year planning period.

For many of the occupations with 'large' to 'very large' numbers of job openings, the demand for qualifications can also be strong. However, some occupations can have a small number of job openings but large demand for qualifications as a result of existing workers upskilling or broadening. Our modelling of the demand for qualifications suggests that occupations with the largest demand (for entry-level qualifications plus upskilling and re-skilling) over the five-year planning period will include:

- Accountant
- Civil Engineering Professional
- Electrician
- Enrolled and Mothercraft Nurse
- Electronic Trades Worker
- Environmental Scientist
- General Medical Practitioner
- Medical Technician
- Metal Fitters and Machinist
- Motor Mechanic
- Occupational & Environmental Health Professional
- Police
- Registered Nurse
- Secondary School Teacher
- University Lecturer and Tutor.

As stated, the Commission believes that those occupations with a risk assessment rating of 'above average' should be closely monitored. Our modelling suggests that there are 12 'above average' QLOs:

- Air-Conditioning & Refrigeration Mechanic
- Architecture, Building & Survey Technician
- Electrical Distribution Trades Worker
- Electronic Trades Worker
- Enrolled and Mothercraft Nurse
- Environmental Scientist
- Medical Imaging Professional
- Motor Mechanic
- Mechanical Technician
- Panel Beater
- Physiotherapist
- Structural Steel & Welding Trades Worker.



These occupations are either currently experiencing tight or difficult labour market conditions and are expected to have high levels of demand for qualifications over the planning period, or have high levels of industry demand for qualifications and potentially insufficient supply of skills.

While these occupations have been assessed individually as having 'above average' risk, there are other QLOs that may have a degree of overlap so that their skill sets and experience could support demand. For example, people working in some engineering-based occupations could, with some additional training, support demand for civil engineering professionals or engineering managers. The possible transfer of skills across occupations should be considered in determining an appropriate response to a projected need.

While the remaining 75 QLOs with risk assessment ratings of 'average' or 'below average' are considered to be lower risk, those occupations within these categories that have high levels of demand for qualifications should also be monitored, to ensure the training system is sufficiently flexible and resourced to address future needs.



# Delivering a Skilled Workforce

Tertiary education has an important role to play in the transformation of South Australia's economy, skilling the workforce, driving productivity improvements and ensuring young South Australians are best placed to find work. With three state, one private and two international universities, TAFE SA, and a range of private Vocational Education and Training (VET) and higher education providers, South Australia's tertiary education sector is well placed to address the qualification and skill demands identified in this chapter.

The VET and higher education sectors are the subjects of ongoing reform both at state and Commonwealth level. In the case of higher education, proposed reforms – currently before the Senate in the Higher Education and Research Reform Amendment Bill 2014 – are significant in terms of funding and the potential impact on students. It is difficult to predict how participation rates and funding will be affected by these reforms but any measures that deter people from undertaking university study are of concern if they influence the state's capacity to realise its economic potential. Economic growth is clearly linked to South Australia's capacity to provide industry with a high-skilled, innovative workforce with sought-after skills and qualifications, and on a flourishing research and commercialisation sector.

Nationally, the VET sector is undergoing significant reform. Central to the Commonwealth Government's VET strategy is an intention to meet current and future industry skills demand. Comprehensive planning is needed to ensure the VET system is accessible to students, revitalise TAFE colleges and effectively co-ordinate TAFEs and private colleges to create a comprehensive, effective and high-quality system.

People aged 25 to 64 years holding a qualification are nearly 20 percent more likely to participate in the labour force than those without a qualification<sup>5</sup>; as the modelling in this plan indicates, demand for qualifications will grow despite economic softening.

Many reports have noted that a highly skilled, creative and motivated workforce will increase participation rates, address skill shortages and boost productivity. As noted in the Australian Innovation System Report (2012):<sup>6</sup>

*The skills of the workforce underpin the rate and scale of innovation that takes place in the workplace; and the innovation, in turn, fuels the demand for more skilled workforce. An up-skilled workforce then becomes the source of further innovation.*

In Australia, the lack of skilled people has been the highest single reported barrier to innovation in business; this barrier decreases in size only when the working population becomes more skilled. This barrier to innovation is particularly relevant within small and medium sized enterprises.<sup>7</sup>

There are structures in place where providers connect with industry in the development of their curriculum, involve industry in teaching, provide industry-based projects and placements and adopt other measures to provide real-world learning experiences that improve the work-readiness of graduates. At the same time, industries that are well connected with universities and other providers have benefited from the latest knowledge and skills that students and graduates can bring to the workplace, and also may be placed to tap into a network of experienced potential recruits.<sup>8</sup>

However, the challenge remains, particularly for smaller enterprises, to create effective partnerships between industry and education and training providers. Employers continue to rank experience in the workplace, and recruits' capacity to understand the requirements and culture of the workplace, as among the most important attributes in new staff.<sup>9</sup> The significant advantages of work placements are acknowledged, but funding is a barrier. In a South Australian economy dominated by small and medium-sized enterprises, many of which are experiencing significant structural adjustment, a systematic approach to supporting student and graduate transition to the workplace is needed.



The Commission believes that in a state undergoing significant economic transformation, there are clear education and training policy imperatives: participation in education and training beyond school, and the connection of that education and training with industry to ensure tertiary graduates are work ready, effective in the workplace, and able to adapt to and succeed in rapidly changing work environments. This will be an area of policy focus for the Commission in 2015.

#### Recommendation 1:

Ensures the Department of State Development (DSD) undertakes a comprehensive analysis of market failures in the tertiary education sector, including regional and remote areas, thin markets, Qualification-Linked Occupations and the public provider.

<sup>5</sup> ABS, 2011, Education and Work, cat no. 6227.0, ABS, Canberra.

<sup>6</sup> Australian Innovation System Report – 2012, DIISRTE. Australian Government, Canberra, p30.

<sup>7</sup> Australian Innovation System Report – 2013, Department of Industry. Australian Government, Canberra, p84 - 85.

<sup>8</sup> Future Focus: 2013 National Workforce Development Strategy, AWP, Australian Government, Canberra, p107.

<sup>9</sup> Future Focus: 2013 National Workforce Development Strategy, AWP, Australian Government, Canberra, p107.



# A New Demand-Driven System: Capacity Management

## VET Market Sustainability


In a period of rapid structural change, high-wage, high-skilled occupations stemming from the diversification of traditional industry sectors and an increasingly service-based economy will support future workforce productivity. Industry will demand skilled workers; to meet this demand the training system will have to improve access, participation and pathways to employment. Education and training have fundamental roles in preparing the future workforce to navigate the changing nature and composition of the labour market.

South Australia is leading the nation in the growth in numbers of government-funded VET students, and now has one of the most cost-efficient training system in Australia. Since inception, the *Skills for All* reforms have resulted in a noticeable increase in the provision of training in South Australia. Many of the students undertaking education and skills training are within indigenous, disability and low socio-economic groups.

While recent investment in training has been historically high, this investment will decrease in 2014-15. Contrary to the policy intent of *Skills for All*, the system is not funded to allow ongoing, unfettered enrolments. However, despite the imposed budgetary constraints, the Department of State Development (DSD) anticipates training activity to remain well above pre-*Skills for All* levels.

The targeted alignment of *Skills for All* training places to strategic industry need will help offset the substantial decrease in Commonwealth investment in skills development initiatives expected to impact training activity in 2014-15. Estimates indicate about \$145 million less will flow through the South Australian VET sector over four years. (The South Australian Government originally pledged \$192 million in *Skills for All* funding for 100,000 additional training places).





The significant net rise in training participation has resulted in Government tightening regulation of the *Skills for All* funding framework; along with frequent modifications to the framework over time, including capping and banding of training courses, this has increased uncertainty for training providers. The Commission's consultation with stakeholders highlighted the need for more stability of publicly funded training places and dependable government investment in training activity, to support registered training providers looking to plan their business activities within a viable training sector.

Industry engagement also revealed that training providers seek transparency in how State Government allocated funds for training. These providers report that changes to the *Skills for All* funding framework continue to disrupt the providers' ability to maintain stability and in turn affect potential students.

Further, repeated changes to the Funded Training List (FTL) are impediments to the provision of a high-quality system, particularly for smaller training providers that may not be able to respond to fluctuations in training subsidy entitlements. Given the current economic climate, the Commission believes it is unreasonable to expect training providers to continually adapt and change their business models in accordance with the shifts in public funding – including price banding structures and the capping of publicly funded qualifications – that have occurred in the short time since *Skills for All* was introduced. Ramifications that include reputable training providers having to leave or reduce their activity in the market, and student motivation being manipulated by financing and capacity constraints, could be partly circumvented through a shift in focus to the quality of the provider and its capacity to deliver.

There was a general expectation among providers that the implementation of banded funding will shift the parameters underpinning the *Skills for All* framework. Industry stakeholders consider it particularly important for the training system to provide some level of certainty as changes are applied with limited notice and pose commercial risk to small and medium sized training providers. Training providers reported a decrease in the scope of delivery and a general decline in the capacity of the local training market, in addition to particular pressure on smaller training providers, especially in regional communities where administrative overheads are already challenging.


According to recent NCVER data<sup>10</sup>, the number of students enrolled in the public VET system decreased by 3.4 percent nationally. South Australia was the only jurisdiction to record a growth in VET activity, with a 16.3 percent increase in student numbers. All other jurisdictions reported declines in measures of training activity. The unprecedented growth in South Australian VET activity, due in part to significant levels of State Government investment, has achieved some of the original objects of the *Skills for All* reforms (increasing participation in formal education and lifting the skills base of the state's workforce). However, within the current economic climate there are serious questions about whether this level of growth of funded training in South Australia can be sustained.

Training providers acknowledge that the *Skills for All* banded funding model offers certainty and longer-term planning capability, which will increase should the capping of courses on the FTL be completely phased out. However, many courses remained capped with a 'no new enrolment' date. As a consequence, training providers continue to be cautious but supportive of price banding as a preferred approach to the allocation of public funding. Government red tape and compliance burdens also continue to hamper training providers. The Commission believes that high-quality training providers with a proven track record should not necessarily have to go through the extensive red tape to comply with Government policy.

Training providers offered a number of suggestions to increase the link between training completions and employment, such as student pre-screening and compulsory work experience placements. However, they highlighted that they are not resourced to counsel students for suitability before commencement of training courses. This is a concern as the responsibility of non-completion rests with training providers. In this context, the Commission suggests funding should be aligned not just to course delivery but also to pre-course assessment and post-course developmental programs that will help students gain employment.

It was also suggested that incentivising the work experience component of a qualification would substantially increase employer satisfaction and training outcomes. However, there needs to be a financial incentive for employers to take on work placements given the current economic climate.

<sup>10</sup>NCVER, Students and Courses, Preliminary Data, 2013.



Co-funding of qualifications has been highlighted as a potential mechanism to increase student commitment and an important means of achieving desired completion rates and employment outcomes. In general, training providers are inclined to exercise caution when accessing 'free training' as there is concern that fully subsidised training may influence student's motivations.

Moreover, there is a view that an 'entitlement' mindset may have been encouraged by fully subsidised training initially offered under the *Skills for All* programs. It is suggested that encouraging co-contribution from both an individual and employer perspective would be more effective in stimulating student commitment. In fact, without a student contribution it would not be possible to offer fully funded training without robust eligibility criteria.

Many high-quality training providers are continually adapting to meet industry needs and the evolving VET landscape. They subscribe to the view that although the industry relevance of training programs is enough to drive learning and employment outcomes, there are opportunities for improvement.

Specifically, they point to the minimal evidence of employment outcomes directly attributed to training. In this context, tailoring and contextualising units of competency in line with employer needs rather than student's needs (that is, a demand-driven approach) is preferred in South Australia's economic climate.

Training providers argue that for the demand-driven approach to operate successfully, it is imperative that the State Government develop collaborative relationships with training providers and industry that closely align industry demand with current and future skills shortages. Improved consultation strategies and mechanisms with training providers, industry and Government are required to facilitate the desired learning and employment outcomes.

Training providers generally accepted that the South Australian VET system is of a high quality with pockets where complications exist. Undoubtedly, the quality of training differs according to the individual training provider and is dependent on a number of factors, including the quantity of contact hours, student groups, duration of courses and method of delivery. However, there remains widespread concern that the emphasis has shifted from quality to quantity.

It was noted that caution was needed in balancing a reduced regulatory burden with maintaining quality, whether perceived or real. This perception of quality was raised multiple times as a factor significant in maintaining confidence in the sector and its outcomes. It was suggested that additional effort in promoting the value of the VET sector more broadly would assist all.

National harmonisation is thought to provide greater clarity for training providers operating in multiple states and territories in terms of compliance and regulatory requirements. However, the Commission notes concern that South Australian training providers may be at a disadvantage given the additional regulatory burden placed on them compared to interstate, non-*Skills for All* providers with minimal barriers to market entry.

Attaining a *Skills for All* 'preferred provider' status was considered extremely beneficial for training providers that can demonstrate strong links between training delivery and industry demand. Clearly, the quality of training output is intrinsically aligned to the perceived industry relevance of training.

The Commission considers policy setting should be recalibrated in response to the current (state and Federal) budgetary constraints and other social and economic trends that are impacting VET funding in South Australia. This process will address the implementation of frequent changes to the Funded Training List (FTL) (imposition of caps and changes to subsidy rates to meet current budget constraints) to increase market sustainability for training providers through more certain funding.

## Capacity Management

A Capacity Management system allocates set quotas of publicly funded training places (on a course by course basis) to a smaller number of high-quality Registered Training Providers (RTOs), raising the quality of skills and workforce development outcomes within a limited funding envelope.

Managing system capacity on the basis of a predetermined level of public funding, and prioritising allocation of that funding, will focus funding on high-quality VET providers, encourage innovation and drive continuous improvements in training delivery. It will occur through an assessment focussed on demonstrable links with occupation or pathway outcomes, according to clear eligibility criteria, while at the same time increasing competition among training providers.

Implementation of a Capacity Management system will meet the Commission's aspirations of a sustainable market for training providers in operational planning and efficiency and across the VET sector in general, through a more transparent link between public and private expenditure on skills development and employment outcomes.

### A way forward

In a resource-constricted environment, the Commission considers there is a clear need to reframe the policy parameters underpinning a demand-driven system based on:

- Stronger alignment to industry demand for qualifications.
- Eligibility of students, profile of qualifications and levels of completions.
- Commitment to high-quality training outcomes.

Specifically, the Commission's consultation indicated there is in-principle support among stakeholders for a system in which the State Government publishes a quota-based portfolio of training investment that incorporates the proposed number of partly and fully subsidised training places on the *Skills for All* Funded Training List (FTL). This approach will use the FTL to determine the Government's investment priorities and support a Capacity Management system that determines the allocation of funded training places.



The proposed model will effectively manage the size and the budget of publicly subsidised training by quarantining funds for 'preferred providers'. It is anticipated, and indeed intended, that the implementation of a Capacity Management model for the allocation of publicly funded training places will limit the number of *Skills for All* providers. It is the Commission's view that ascribing quotas to the allocation of public subsidies for training activity will build the capacity and capability (allowing for innovative practices) of training providers and the VET system in South Australia.

There is a compelling case that innovation will raise the quality of training delivery and the whole VET system. A higher-quality VET system can emerge from increased specialisation of qualifications congruent with the strengths of training providers, unlike the current framework that is conducive to non-homogenous delivery across the sector. It is anticipated that a Capacity Management system will yield innovative practices that will improve training delivery and outcomes and change the shape of South Australia's VET market.

The role of the public provider, TAFE SA, must be considered when determining funding arrangements within a Capacity Management system. In particular, TAFE SA's status as a quality provider of training across education disciplines of strategic importance to the state and of qualifications demanded by industry must be recognised. The Commission suggests that where TAFE SA meets the criteria of a high-quality provider, a substantial allocation of funded training places would be provided on a course-by-course basis.





Further commentary and deliberations in relation to the Commission's position on TAFE SA's role is provided on page 49 (Chapter 5), 'Supporting our Public Provider'.

Beyond TAFE SA, the Capacity Management approach will transform *Skills for All* from a model where public funding follows the individual (student) to a system in which funded training places are allocated on an institutional basis aligned to economic and workforce needs. This approach is intended to deliver a level of certainty to the market by providing early and detailed information about the volume of training to be funded by Government in a defined period.

The Commission suggests that the original intent of the *Skills for All* reforms (that is, to increase the qualification levels of South Australia's workforce and provide opportunities for those outside the workforce) can be achieved with the implementation of a Capacity Management model. Higher completion and retention rates are likely within a system that capitalises on the strengths and resources of preferred providers and that demonstrates:

- **High Quality** - where outcomes are equal (or better) to those in similar jurisdictions, through increased completion rates aligned to industry demand and training and closely aligned to the needs of employers.
- **Shared investment** - where individuals, government and industry share the cost of training by imposing a minimum student contribution or pre-determined level of shared co-contribution in accordance with the (public or private) benefit.
- **Demand driven** - allocation of public investment in training is closely aligned to identified industry demand for qualifications and South Australia's economic priorities.
- **Training and education pathways** - that encourage lifelong learning for the purpose of increasing access to and participation in further study or employment.

The implementation of a Capacity Management system based on the above characteristics requires underlying assessments of 'demand' relative to industry and 'quality' with regard to RTOs, and the introduction of criteria to identify 'preferred providers'. These determinations will have a significant impact on the application and implications of the proposed reforms.

### **High Quality**

Previous iterations of *Skills for All* have relied on contract specifications to enforce quality controls. Despite the adherence to such measures, attempts to restrain excessive growth in course enrolments (through the impost of caps or training account limits) have been disruptive. The Commission argues that fewer, 'preferred', high-quality providers and the application of quotas will lead to a more efficient and effective VET system. As these quotas would be announced in advance, they would provide certainty for RTOs and provide the VET system with required levels of quality assurance and compliance. The VET system should comprise high-quality training providers that can demonstrate a commitment to best practice, including focussing on pre-screening, job search assistance, work placement, mentoring and long-standing relationships with industry.

### **Shared investment**

The Commission believes that as an individual increases their skill level, their earning capacity and ability to gain employment also increase. It is in acknowledging the private benefit to the individual that the Commission believes that individuals should contribute to their training costs.

In this context, public investment in training should complement, not replace, privately funded VET activity. Striking a balance between public and private contributions in meeting training costs will increase the commitment to complete while maintaining relevance to industry. Options include mandating a minimum student contribution and a pre-determined level of shared co-contribution in accordance with the (public or private) benefit.

### **Demand driven**

The Commission maintains that the allocation of public investment in training activity needs to meet the strategic skill needs of industry, and that investment should be targeted at areas of greatest public value. *Skills for All* should strive to ensure the VET system is closely aligned to strategic industry demand and public investment is targeted to skill development of greatest benefit to all South Australians. Funding should be directed only towards those qualifications linked to demonstrated industry need.

### **Training and education pathways**

The implementation of the *Skills for All* reforms has resulted in significant growth, particularly in low level/entry level qualifications with fee free courses for a very broad cohort. It is recognised that this has spurred participation across disadvantaged cohorts, including students with low socio-economic status (SES), indigenous students, and students with disability.

The current budgetary environment has led to a reduced funding envelope. As a result, caps and quotas have been imposed, hampering access to (and the availability of) publicly funded training places. Although there are still many pathways to further training and employment, capping and banding, along with reductions in eligibility, have limited these pathways. This issue has been particularly prevalent in regional areas, where the provision of training is restricted due to the universal application of caps across the state.

It is essential that any funding model seeks to improve the quality, efficiency, equity and access to pathways for training and employment. The system must outline expectations in areas such as articulation, credit transfer, coordinated program delivery, recognition of prior learning, as well as opportunities for further learning and career development. In the current landscape, it is particularly important to support training pathways linked to employment outcomes.



## Capacity Management System Framework

The Commission recommends that a Capacity Management system to administer the allocation of publicly funded training places be based on the following principles:

**(1) A significant number of vocational education opportunities will be available for eligible citizens.**

The number of training places is based on the anticipated industry demand for qualifications, driven by the skilling requirements of new entrants (to fill job openings resulting from expansion and replacement demand) and the skilling requirements of the existing workforce (to align skills with changing industrial and occupational needs), based on the modelling work undertaken by the Training and Skills Commission. This will require the development of criteria to:

- a. Determine who will be eligible giving consideration to:
  - New entrants.
  - Existing workers without qualifications outside the school system.
  - Existing workers experiencing displacement or potential displacement in the labour market.
- b. Determine which qualifications (both level and field) should receive public subsidies.

**(2) Public subsidies will only be available for the best registered training providers.**

Allocation of publicly provided funds will be determined by a two-step process:

- a. The RTO must achieve the status of a 'preferred *Skills for All* provider' based on a set of demonstrable criteria (see Figure 5).
- b. In any given year, public funds will be allocated as a quota of training places in particular course/subject areas. This allocation will be based on industry consultation and directed towards areas of identified priority or strategic importance. Preference will be given to providers that have established links with employers.

**(3) Special principles will apply in allocating public funds for high-priority locations and groups:**

- a. Training situations involving contracts of training (COT).
- b. Specific groups (including those in school-based programs, regional areas, group training schemes) and disadvantaged groups (such as people with disability, indigenous South Australians and those with low socio-economic status).
- c. High-cost technical training programs.
- d. Uncapped places in high-risk, Qualification-Linked Occupations (QLOs) where there are current or potential skill shortages.

.....  
**Figure 5: Preferred *Skills for All* provider selection criteria**  
.....

**Existing *Skills for All* criteria:**

- Satisfactory principal place of business in South Australia.<sup>11</sup>
- Satisfactory regulatory record as a registered training organisation (RTO).
- Compliance with contractual obligations in delivering publicly funded training (where applicable).
- A management team with skills and background sufficient to lead an educational organisation.
- Appropriate levels of engagement with industry commensurate with qualifications to be offered.
- Sufficient number of enrolments and graduates from each training package.
- Learner and employer satisfaction and satisfactory graduate outcomes.
- Suitable arrangements for assuring quality training and assessment outcomes for different student groups and delivery modes.
- Sufficient trainers and assessors with relevant vocational competence and formal qualifications in assessment and training.

**Additional criteria:**

- Established mechanisms to support industry engagement and the development of collaborative partnerships with employers (including for the identification of relevant competencies in training packages delivered by RTOs).
- Evidence of above-average student completion and satisfaction rates.
- High conversion of student enrolments to course completions.
- Quality training and assessment practices.
- Industry endorsement of training delivery (online, hybrid or peer-based environment) aligned to the intended occupational outcome.
- Capacity to pre-screen students with an emphasis on individual suitability rather than eligibility.
- Provision of quality work placements embedded in assessment criteria.
- Ongoing professional development programs and opportunities for staff.

<sup>11</sup>The Commission does not deem the current 'principal place of business' in South Australia criteria as a requirement in a Capacity Management System, but rather simply a 'place of business' in South Australia would suffice.

## Process

Implementation of a Capacity Management model should begin by assigning a quota-based allocation of funded training places for specific qualifications to approved training providers that meet the aforementioned (existing and additional) criteria. This approach would offer approved training providers upfront quotas and greater certainty in managing their enrolments over time.

The Department for State Development (DSD) will determine quotas for approved training providers on a periodic basis. Training providers will be responsible for quarterly allocations across the profile of the qualifications they are approved to deliver. Once a provider's quota of publicly funded places has been subscribed, it will not be able to access additional public funding until the next scheduled funding round. In addition to the publicly funded places, RTOs will be able to offer places, in accordance with their approved scope of qualifications, on a fee-for-service basis.

Approved training providers will have flexibility to rollover any excess (funded) quotas that have been allocated to the subsequent quarter until the quota per qualification has been fully subscribed. At the end of the financial year, expiration of all pre-allocated training places will occur and any quotas previously assigned will be forfeited. An alternative process is the redistribution of excess quotas for funded training places previously allocated to approved training providers. Specifically, any training places that are not used during an approved providers' quarterly allocation are returned to a common pool for redistribution. These additional quotas will be made available to those providers that can demonstrate capacity constraints (that is, insufficient allocation of training places to meet demand for qualifications) through the proposal of a formal business case. Remaining funds could also be re-drawn to incentivise innovative training providers approved under *Skills for All* that have not qualified for 'preferred provider' status.

A bi-annual review of preferred providers will include a competitive tendering process to determine future iterations of quota based allocations for publicly funded training places according to identified areas of industry demand for qualifications and strategic importance. This 'testing of the market' will support the continuous improvement process underpinning a Capacity Management system.



The Commission recommends the nomination of a transition period – including consultation with employers, industry, RTOs and the wider community – before a Capacity Management system is introduced. This will ensure stakeholders know how the system will affect them; in particular, the additional eligibility criteria to determine 'preferred provider' status and guidelines underpinning the competitive tendering process for quota-based allocations.

## Summary

A Capacity Management model would allocate funding of training places based on identified areas of (industry and government) priority or strategic importance. In particular, it would identify the appropriate allocation of funds for training individuals in regional or remote locations, courses nominated as 'high-risk' occupations, contracts of training and other disadvantaged cohorts to encourage access, participation and pathways to employment. A specific allocation of the funding envelope may also be reserved for incentivising pilot programs aimed at improving completion rates. This will allow training providers to expand their operations and contribute to education and training sector growth.

The expectation and capacity for the VET system to self-regulate supply of and demand for qualifications is premature. A Capacity Management system regulates training entitlement to reduce the issues associated with oversubscription of subsidised qualifications and acknowledges the significant reductions in public funding of training in the forward estimates. Indeed, a more coherent qualifications framework would provide a reference point for organising the rationalisation of skills development capacity.



### Forward agenda

In 2015, the Commission will explore how to maximise limited public funds to help employers and citizens acquire the skills they need, given the following issues:

- (a) The currency of the qualifications framework in terms of the relevancy, adequacy and credibility of the underlying competencies produced by the VET system.
  - Too many qualifications.
  - Too many poorly conceived/hyper specialised qualifications.
  - Too many outdated qualifications.
- (b) An adequate qualifications regime would support a workforce development regime with the following elements:

- Strong foundation skills (literacy and numeracy).
- Solid domain-relevant skills defined through a modern notion of vocation or cluster of occupations (for example, care work, customer service, logistics, engineering).
- Skill sets (that is, specific clusters of competence that can be acquired of relevance to immediate job requirements and that would build on solid foundation and vocational skills) that are supplements to, not substitutes for, coherent qualifications that provide theoretical knowledge and workplace capabilities.
- Effective pathways that link flows of learning and labour to ensure the coherent and cumulative deepening of skills for workers (that is, lifelong learning).

### Recommendation 2:

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Implement a Capacity Management system to increase the quality outcomes (including employment) of publicly funded training, to support a more sustainable VET market and enable long-term planning capability for approved training providers.

.....

### Recommendation 3:

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Incentivise Registered Training Organisations (RTOs) to provide student destination data, including employment outcomes, within six (6) months of publicly funded course completion.

.....



**Recommendation 4:**

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Ensure the responsibility of Registered Training Organisations (RTOs) to graduate students with the skills required by industry is supported through increasing the provision of existing payment structure incentives for the work placement component of training packages delivered by RTOs.

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**Recommendation 5:**

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Remove the universality of the Funded Training List (FTL) by quarantining funds for training linked to employment outcomes, contracts of training, group training organisations, equity groups and the needs of regions from universal caps.

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# The Commission's Aspirational View of the VET System (by 2025)

## Industry Engagement and Quality

In the 2013 *Skills for Jobs* plan the Training and Skills Commission committed to specific consultation activity with bi-partite industry bodies, Regional Development Australia networks, continuing Industry Skills Boards, national Industry Skills Councils, business groups, unions and other industry and peak associations to inform its advice to the Minister for Employment, Higher Education and Skills.

The importance of industry intelligence and engagement remains vital to ascertaining how to best align the VET system with industry skills demand. The Commission has significantly increased its consultations with stakeholders in the VET sector across all industries and metropolitan and regional locations of South Australia, aiming to identify the challenges faced in the current VET system. Throughout 2014 the Commission visited Eyre and Yorke Peninsulas, the Barossa region and the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands to hear firsthand the issues faced by those communities in navigating the tertiary educational systems.

The future will demand increased flexibility and mobility from both employers and employees as the state's workforce becomes more globalised, interconnected and diverse. Technological changes will exponentially impact on the way we organise work. Individuals will need flexible, generic skills so they can respond creatively to change and move between occupations and industry sectors during their working lives.

Foundation skills in language; literacy and numeracy; and science, technology engineering and mathematics (STEM) will be vital in supporting adaptability and changes within and between industries and future job demands.

While individuals will require increasingly adaptive skills in order to attain and sustain future employment prospects and navigate change, the state's VET system will also need to be more responsive to changing industry and individual needs. Access to high-quality, industry-aligned career development advice is becoming increasingly important as the VET sector continues with demand-based funding and South Australia's workforce becomes more mobile.





Everyone should have access to independent career guidance throughout their employment journeys, so they make informed choices and proactively manage their careers. This guidance should align with increased industry involvement in ensuring career advice that is aligned to ‘real life’ and industry demand. The Commission suggests that this informed advice would also increase VET completion rates.

The Commission’s consultation has indicated that work experience is among the most important attributes employers seek in their employees. Participation in work-integrated learning, as part of a formal curriculum, contributes to work readiness and supports greater collaboration and increased industry ownership of skills development. Students benefit through first-hand exposure to workplace values, pressures and expectations, while gaining practical experience, increasing networks, communication skills and team work.

Since the inception of *Skills for All*, frequent changes stemming from capping and banding of entitlements and eligibility has resulted in confusion among training organisations and industry. Further work must be done to build collaborative relationships between the VET sector and industry to ensure skills and qualifications are closely aligned to quality employment outcomes. Improved collaborative relationships with the VET sector and industry will provide greater industry ownership of skills development.

The relationship between the standards for the regulation of VET and the training package requirements needs to be enhanced to provide

greater consistency in how industry and training providers interpret and offer vocational training.

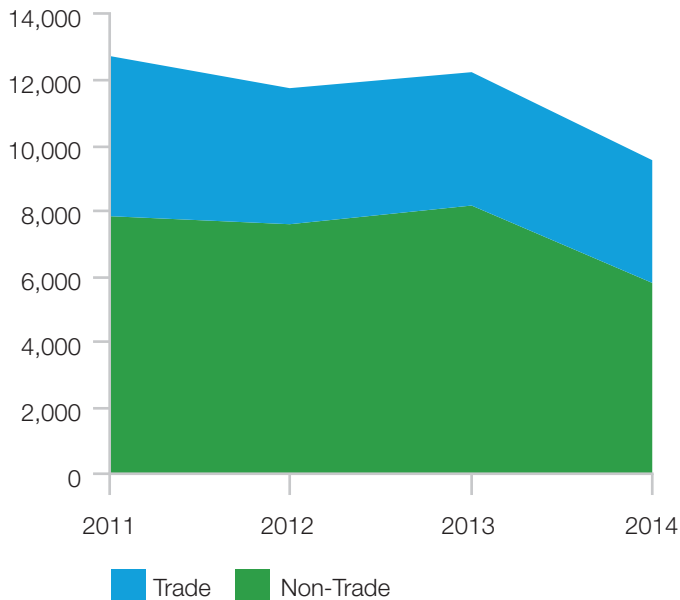
The provision of consistent and high-quality training and assessment, based on industry-defined standards, remains the core of a successful VET system. It is the Commission’s recommendation that the State Government reframe the VET funding framework to operate within a Capacity Management system, allowing selected high-quality VET training providers to compete based on outcomes. (See Capacity Management P 31).

## Apprenticeships and Traineeships

The Commission’s 2013 *Skills for Jobs* forward agenda committed to working with the State Government to address the decline in commencements of apprenticeships and traineeships through joint activities that involve industry and enterprises.

This commitment stems from recent reports, including the National Centre for Vocational Education Research (NCVER), which reports that Australia nationally had 386,800 apprentices and trainees in-training as at 31 March 2014, a decrease of 12.4 per cent from 31 March 2013. Moreover, there were 37.8 percent fewer South Australian commencements in the 12 months ending 31 March 2014 than in the 12 months ending 31 March 2013, representing the state’s lowest level of apprenticeship and traineeship commencements in a decade. It is noted that this reduction is primarily in non-trade commencements.

**Figure 6: South Australia Commencements for Trade and Non-Trade Apprentices and Trainees 2011-2014**



Note: Amalgamated NCVER data for both GTO and non GTO.  
Source: National Apprentice and Trainee Collection, June 2014 estimates, unpublished NCVER

The decline in apprenticeship and traineeship commencements poses a critical risk to the future pool of available skilled labour, particularly as South Australia has experienced the most significant fall in commencements in comparison to all other jurisdictions. There has been significant commentary relating to the decline in commencements, noting that this decline is likely in response to the recent changes to State and Commonwealth Government apprentice and trainee incentives and policies, particularly the reduction in employer incentives introduced in July 2012. Strong representations have been made to the Commission that the State Government's removal of payroll tax exemptions (coupled with decreased Commonwealth support) for apprentices and trainees is a significant barrier to taking on new contracts of training.

A plethora of other influences may explain the declining commencement rates, such as the structural changes in South Australia's economy and the reduced financial capacity of employers to engage apprentices. This environment, along with a set of self-reinforcing factors such as increased competition both nationally and internationally, is leading to increased down-sizing and contracting out, growth of labour hire companies, an increase in the proportion of small to medium enterprises, and the privatisation of public services, may also contribute to declining commencements.

While the state continues to function in a tight fiscal environment it is likely potential trainers will continue to be discouraged from taking on the responsibilities of new apprentices and trainees. However, it remains imperative that this trend is reversed to support growth and sustainability for industry and the state.

Satisfactory literacy and numeracy skills remain at the forefront of apprentice and trainee entry-level recruitment processes. Despite the promotion of Science Technology Engineering and Maths (STEM) skills as important to growth, there remains an evident scarcity of schooling graduates possessing these skills, which remain mandatory for license-based trade qualifications among many others. Inadequacies in these skills create considerable learning problems, particularly with the shift away from face-to-face learning and increased use of virtual learning environments. There is insufficient evidence to link low levels of literacy and numeracy skills and STEM-ready graduates to the reduction in apprentice and trainee numbers, but the issue is anticipated to be a major problem for the system in coming years.

Given the multiplicity of factors identified as potential contributors to the decline in commencements, an equally broad range of solutions is necessary to address the issue.

With a clear decline in commencements following the decrease in employer incentives in June 2012, Government must find alternative ways to incentivise and subsidise employers to offer further sustainable entry-level pathways for apprentices and trainees. Schools, industry and Government must collaborate through the promotion of the types of employment and career pathways available through apprenticeships and traineeships.

A state-wide response to the decline in commencements must include:

- The introduction of changes to the structure of financial incentives offered to employers of apprentices.
- Improved support to Group Training Organisations.
- Increased Government support for pre-apprenticeship and similar entry-level programs.
- Improved VET in schools pathways.
- More promotion of apprentices and trainees to prospective employers and job seekers.

It is the Commission's suggestion that the State Government looks to:

- Introduce state-based employer incentives for apprentice and trainees in areas of skills shortages.
- Increase investment in the promotion of apprentices and trainees to employers and in schools as a prosperous career pathway.

## Supporting Regional Workforces

In 2013 the Training and Skills Commission committed to additional regional consultations and prioritised a stronger regional presence to identify key trends surrounding Vocational Education and Training (VET) accessibility and delivery in regional communities. Throughout 2014 the Commission engaged with 190 businesses across regional and metropolitan South Australia and participated in site visits across the Eyre and Yorke Peninsulas, the Barossa region and the APY Lands.

These consultations have increased the Commission's understanding of the role of VET programs in regional communities. It is clear that for South Australia to remain competitive, policymakers must embrace and engage regional communities more systematically through the provision of quality VET programs and understand that a 'one size fits all' VET system will not work in regional communities.

It is essential to provide local opportunities for students from regional areas to attend training so that the state can harvest the potential of South Australia's regions and develop them for a sustainable future.

Accordingly, the State Government must encourage discussion about the best way to fund flexible and sustainable education in regional South Australia, to capitalise on the uniqueness and capability within individual regional communities and respond specifically to local needs while appreciating that this may incur increased costs.

There has been significant change to the delivery of VET throughout Australia and arguably nowhere more so than in South Australia, where the impact of *Skills for All* has been felt most noticeably in the regions.

At a time when increased productivity is critical, employee decision-making must be innovative and the workforce demands high-level skills and knowledge, engagement with regional communities should be expanded and participation in VET encouraged. Yet, despite the critical role the regions play in the economic development of the state, distance and the lack of population mass have contributed to the absence of opportunity and choice in VET courses as well as increased costs.

The lack of public transport in the regions remains problematic for local communities that continue to explore ways to travel to training delivery sites. While distance learning solutions such as online learning and video conferencing can increase access, they can lead to student isolation. Further, the capacity and scope of the training courses available for distance learning is limited and for many students as the cost to access current technology can be prohibitive.

In South Australia's open and contestable VET environment, a balance needs to be found between managing TAFE SA's commercial concerns and enabling private providers to support the VET needs of regional communities. Leadership from TAFE SA in regional areas is as important today as ever. TAFE SA plays a strong role within their communities beyond delivering VET and have a vested interest in maintaining the social and economic wellbeing of the communities they serve. There has been ongoing criticism of the lack of regional loadings for training providers, signifying that the current *Skills for All* funding framework offers little relationship to the genuine costs of running and sustaining regional training institutions.

The South Australian Government has shown commitment to a number of regional initiatives through a range of training and industry partnerships, including the creation of new Industry leaders groups to strengthen training and employment across the state's regions. These groups operate within the Jobs and Skills Regional Networks to plan, coordinate and advise Government on workforce, skills and training solutions tailored for their regions. They support communities and industry in connecting and coordinating training, skills development and employment needs.

The Commission suggests that supporting future workforces in the state's regions requires both State and Commonwealth investment through:

- A State Government review of the universality of the Funded Training List (FTL) as it applies to the regions, to ensure training subsidies reflect the genuine costs of training.
- Commonwealth funding to improve access to innovative and online learning solutions through access to broadband and an equal investment from State Government to upskill the community to access these services.

### Recommendation 6:

Establish regional educational hubs that provide a coordinated approach to training delivery through improved transport infrastructure, online access and support services.

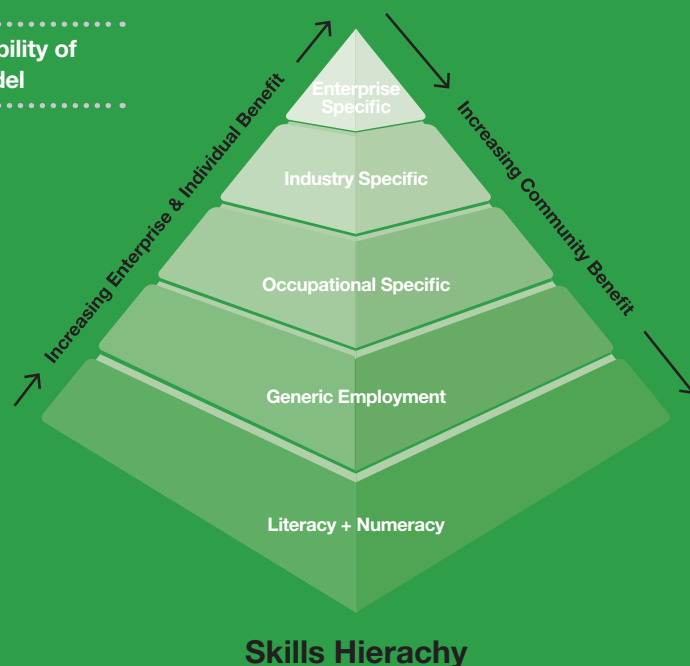
# The Commission's 2014 Policy Discourse

## Who Should Pay for Training?


The Commission believes that the costs of training should be shared according to the benefits arising from skill acquisition. Figure 7 illustrates the relative benefit obtained from skills acquisition by individuals, industry and the wider community. An underlying premise is the alignment of public investment in subsidised training activity with the skills hierarchy. Specifically, it suggests that a

larger share of government funding should support entry-level qualifications that encourage access and participation in training and/or pathways to employment. It is the Commission's view that the transparent and legitimate disposition of public funds is integral to the efficacy of the vocational and education training (VET) system.

.....  
**Figure 7: Responsibility of Training Costs Model**  
.....







The Commission's consultations with stakeholders indicated that the implementation of a minimum contribution fee towards VET costs will support student retention and completion rates. Similarly, it is perceived that employers with 'skin in the game' are more committed to maximising their return on training investment and that the probability of individuals completing publicly subsidised VET qualifications is higher. While some organisations choose to limit expenditure on skills development – owing to the transferability of their employees and reliance on recruiting skills rather than developing them – it is the Commission's view that a new solution to the 'who pays?' question is needed.

The Commission acknowledges that in the regions, distance and a lack of infrastructure and resources can impede participation in training. However, there are costs for everyone who looks to pursue a qualification, regardless of where they live. Costs absorbed by the employer, including any loss in productivity from time release for workers undertaking training, must also be considered. The Commission suggests the Department of State Development (DSD) should undertake an assessment of all costs when exploring a shared co-contribution model.

Notwithstanding special consideration for particular student groups, the Commission has received 'in principle' support from industry stakeholders for a minimum student contribution.

Specifically, co-funding (either by student or employer) arrangements were considered indicative of student commitment and an important means of achieving desired completion rates and employment outcomes associated with training initiatives. Providers cited their inclination to exercise caution when accessing 'free training' as there was concern that students may be less motivated to succeed during and complete training that is fully subsidised. An adjustment of the 'entitlement' mindset, which may be partly due to the fully subsidised training offered under *Skills for All*, is necessary to encourage commitment, appropriateness of training and outcomes.

Funding arrangements should differentiate between cohorts based on where they sit on the skills hierarchy, with an emphasis on subsidised training for new entrants. Anecdotal feedback indicates that employers use large amounts of funding to upskill existing workers. The Commission is of the view that funding should be prioritised where an employment outcome is more likely. It is further proposed that greater funding allocations are reserved for trades and technical training, regional and priority industry sectors.

The Commission recommends that the Department of State Development (DSD) offer financial incentives to training providers to report on student outcomes following the completion of publicly subsidised training. The collection of comprehensive destination data will provide the department with a better indicator of training outcomes. Reporting requirements could be administered through existing contractual arrangements between DSD and *Skills for All* registered training providers.

Benefits would include:

- *Skills for All* registered training providers having student contact details for audit purposes.
- Increased accountability and transparency of registered training providers in relevance of training to industry and employment opportunities.
- The Department of State Development (DSD) already has in place structured payment arrangements with *Skills for All* registered training providers.

This data will support the South Australian Government in assessing how public subsidies for VET qualifications should be allocated. It is suggested that data should be reported within six (6) months of course completion, coinciding with NCVET data that suggests that 78.2 percent of VET graduates are employed six months after completing a qualification.<sup>12</sup>

The delineation of skills and level of public investment must support the access and participation agenda, which includes the development of Language Literacy and Numeracy (LLN), foundation and generic employment skills. It is the Commission's view that the development of foundation skills fosters generic capabilities that can be applied across a range of industries, and so warrants an increased government contribution.

The Commission contends that a fee structure with a minimum shared co-contribution to the cost of training from each party in accordance with the public or private benefit and with consideration to the skills hierarchy (that is, individuals, government and employers) would increase VET completion rates.

A shared co-contribution model has the potential to increase student commitment and drive employer support when compared to existing mechanisms that aim to raise participation. In particular, co-funding arrangements provide some assurance that the training being delivered is valued as part of an overall approach to skill development. Therefore, while the Commission recognises the importance of equity issues associated with funding, the primary objective of a shared co-contribution model is to increase completion rates and reduce 'training for training's sake'.

<sup>12</sup>NCVER, Australian Vocational Education & Training Statistics, Employment Outcomes, 2013.





The Commission is acutely aware of the costs borne by individual employers in relation to training and workforce development. The ‘ticket price’ of purchasing qualifications and skills is in some cases irrelevant in employers’ decision-making, as this component may be only a fraction of the true cost to the organisation when considering factors including:

- Time away from productive work for employees undergoing training.
- Cost of backfilling employees.
- Lost opportunities in utilising human capital.
- Employee travel and accommodation costs.

Additionally the suggested return on such costs assumes that the employer benefits from the increased skill level, rather than the individual or even the industry.

The Commission acknowledges that this true cost of training is difficult to assess, as is its impact on the South Australian economy. The Commission recommends that the Department of State Development (DSD) identify and explore the costs to employers of training beyond that of the contribution towards the ‘ticket price’ for purchasing skills and workforce development.

#### Recommendation 7:

Request the Department of State Development (DSD) to commission independent advice on the indirect costs of training participation to employers, recognising that the real cost of training for enterprises is multifaceted and rarely captured within the discourse of employer contributions.

#### Recommendation 8:

Implement a shared contribution model in which training costs are shared between students, providers and employers, taking into consideration the direct and indirect costs of training delivery.

## Vocational Education and Training (VET) for School-Enrolled Students

Students choose to undertake Vocational Education and Training (VET) as part of their secondary schooling for reasons including:

- It is an alternative pathway to gain the South Australian Certificate of Education (SACE).
- Career clarification and exploration.
- To develop workplace competence.

The Commission notes that 'school students who study VET programs do so in a variety of settings (which may or may not be in school) and under a range of different [delivery] arrangements'.<sup>13</sup> There are various delivery arrangements for students who undertake VET as part of their senior secondary certificate. These arrangements, some of which are funded by *Skills for All* – while others may be funded by schools, students or their families – include:

- **Australian school-based apprenticeships/traineeships (ASBA)** – through a training contract with an employer. Students combine training with an RTO, paid employment and school studies. The aim is for a student to convert their ASBA into a full-time apprenticeship/traineeship upon completing their senior secondary certificate (SACE) and leaving school. The training component for eligible courses may be funded under *Skills for All*.
- **The Training Guarantee for SACE Students (TGSS)** – where eligible students can access subsidised training under *Skills for All*. Eligibility is based on the student having previous relevant experience in VET and/or work placement, and being on a planned vocational pathway. The objective is for the student to complete a Certificate III qualification post-school rather than seek entry-level employment immediately upon leaving school.
- ***Skills for All* ICAN** – for school-enrolled students who are disengaged from schooling and at risk of not continuing with their education and aspire to complete a full VET qualification rather than SACE. Students are case-managed by Innovative Community Action Networks (ICAN), which supports students to succeed in their VET courses, which may be funded through *Skills for All*.
- **Direct purchase agreements** – schools can purchase VET directly from RTOs, aiming for outcomes ranging from senior secondary certificate completion to developing workplace competence.
- **Auspecting agreements** – where the school enters a partnership agreement with an RTO to deliver and assess a VET program, meeting objectives ranging from senior secondary certificate completion to developing workplace competence.

The Department of State Development (DSD) provides funding to TAFE SA to support auspecting costs.

- As an **RTO** – schools can apply to become RTOs in their own right. There are five such schools in South Australia, with the primary objective to develop workplace competence.

During 2013-14, about 12,000 South Australian students undertook VET in schools, including apprenticeships and traineeships. Eligible students can participate in nationally recognised VET qualifications while working towards attainment of the South Australian Certificate of Education (SACE). The reform of the SACE to incorporate selected VET Certificates and Statements of Attainment has had a positive effect in enabling school students to gain qualifications while completing their secondary education.

The Department for State Development (DSD) administers funding through the *Skills for All* initiative to registered secondary schools that offer VET pathways. These funding arrangements, coupled with a renewed emphasis on increasing retention of Year 12 students, coincide with the development and further embedding of vocational subject streams across the school curriculum.

There are three ways that school-enrolled students over the age of 16 may be eligible to access *Skills for All* funded training:


- Training Guarantee for SACE Students (TGSS).
- Australian School Based Apprenticeship/traineeship (ASBA).
- *Skills for All* ICAN.

The following table compares participation in these programs over the past two financial years.

**Table 10: Participation in *Skills for All* Funding Programs**

School students	2012-13	2013-14
TGSS	2,995	3,487
ASBA	1,675	1,178
ICAN	199	205
<b>Total unique students</b>	<b>4,772</b>	<b>4,797</b>
+ students in multiple school enrolment types	126	89
<b>Total students in all school enrolment types</b>	<b>4,869</b>	<b>4,870</b>

<sup>13</sup> VET programs for school students: a good practice guide for South Australian secondary schools. (Training and Skills Commission) p.5



Successful delivery of VET programs to school students relies heavily on effective working relationships between schools and employers that can meet both educational and occupational requirements. Schools are often responsible for creating individual arrangements so that VET can be offered as part of the curriculum. This suggests that where collaboration is effective it is generally a result of individual efforts to support the training system. The Commission proposes that structured arrangements are necessary to formalise delivery of VET to school-enrolled students, as the training sector may not always be appropriately controlled or well understood on an individual basis. This would encompass an improved understanding of (and access to) vocational education and learning pathways in secondary schools.

A productive workforce and competitive economy require an enormous range of skills. The Commission believes it is essential to alter the perception that a VET pathway is inferior to one involving higher education. It notes that the legitimacy of VET programs for school-enrolled students is undermined by perceptions that it is principally a way to retain disengaged students from withdrawing from the school system. This issue may be attributable to schools' career counsellors lacking an understanding of learning and employment pathways. The pursuit of a VET qualification as a genuine pathway to further training and employment and SACE completion should be encouraged. This could be addressed by developing resources that explain VET benefits and outcomes to the secondary school teachers and career counsellors who may influence student's subject selection, learning pathways and career options.

The *Skills for All* initiative has achieved positive outcomes stemming from funding arrangements for school-enrolled students undertaking VET qualifications. Specifically, school students can contribute to SACE completion while benefitting from structured workplace learning and exposure to industry. A principal objective of VET delivery for school-enrolled students is to provide a vocational orientation that supports a smooth transition into post-school qualifications or occupations.

While the Commission acknowledges the progression and institutionalisation of VET in the SACE, funding arrangements must be carefully monitored to ensure that they are being used for the appropriate purpose. Further, policy settings that prescribe a common quota of funded training places – without quarantining for VET undertaken within school studies – compromises the allocation of public subsidies that could otherwise be redirected to benefit wider VET activity.

In South Australia, the Training Guarantee for SACE Students (TGSS) scheme guarantees that students can continue their qualification pathways after successfully completing the SACE. Funding is provided through *Skills for All* for approved courses to eligible secondary school students undertaking VET through the TGSS.

In 2012-13 the South Australian Government made a significant investment in the TGSS scheme with \$10,211,555 being paid/reimbursed to training providers for completed units and courses. The opportunity for students to participate in structured work placements is a major benefit associated with pursuing a vocational pathway while at school. However, schools should actively monitor such arrangements to ensure work placements expand core competencies and enhance understanding through practical application. Concerns raised through the Commission consultation indicate this is not always the case.

The Commission supports the continuation of the TGSS and notes that high subscription levels reflect the scheme's initial success as a transitional step for students from secondary schooling to VET. This momentum must be encouraged, by strengthening partnerships that support a seamless transition for students between school and VET.

#### Recommendation 9:

Promote VET qualifications to secondary school students as a legitimate and valuable pathway to further training and employment and completion of the South Australian Certificate of Education (SACE).

## Group Training Organisations

South Australia's subdued economic climate and accelerated structural adjustment present challenges for businesses in the state that continue to struggle to meet their skilled workforce needs. About 90 percent of South Australia's businesses are small and medium-sized enterprises (SMEs); it is increasingly difficult for these businesses to directly employ apprentices and trainees. They continue to look to Group Training Organisations (GTOs) to supply their apprentice and trainees needs.

GTOs supply apprentices and trainees in major regions and communities across the state. GTOs are the employment and training intermediary for thousands of South Australian businesses and currently hold 11.2 percent of the market share for apprentices and trainees in the state.

Many South Australian SMEs are limited in their capacity to directly employ an apprentice or trainee and are drawn to GTOs. Their ability to act as legal employers and bear many of the risks associated with bankrolling wages, contractual obligations and responsibilities – under legislation such as the *Work Health and Safety Act 2012*, *Workers Rehabilitation and Compensation Act 1986*, and the *Training and Skills Development Act 2008* – allows SMEs to focus on core business while maintaining legislative compliance.

GTOs in South Australia can offer higher completion rates than private indentured apprentices and trainees. The GTO network for South Australia, Group Training Australia (SA), reports that about 90 percent of the GTO apprentices and trainees who complete their training are retained by their host employer when the training contract is complete. This can be attributed to factors including:

- GTOs operate with a large network of 'host employers' and can rotate the apprentice between employers during industry peaks and troughs, allowing continuation of the apprenticeship.
- SMEs may lack the scope of work required to ensure acquisition of the range of skills compulsory for profiling purposes to directly employ an apprentice.
- GTOs generally have strong relations with the RTO – whether in-house or external – allowing the flexibility to schedule trade school around business and individual needs, minimising 'downtime' and disengagement of the apprentice.
- GTOs have an industry-engaged employer network.



The fate of many South Australian SMEs and apprentices and trainees relies on the ability of GTOs to swiftly respond to changes in the state's economy.

### Case Study

In June 2013, national electrical company Pacific Services Group (PSG) announced the loss of hundreds of Australian jobs as the company went into receivership. PSG was the host employer to 25 South Australian electrical apprentices employed through Group Training Organisation PEER VEET, which through its links to other host employers and its own RTO was able to continue these apprenticeships.

While GTOs are able to offer full-time employment and higher completion rates for apprentices and trainees, and can promptly respond to changing conditions, they face ongoing disruption to the VET market policy settings in a context of subdued economic conditions for their employer networks. The Commission supports specific initiatives and funding allocations to sustain and enhance the GTO network in South Australia.

There is merit in the South Australian Government examining the possibility of excluding institutional training and linking Certificate III training with an on-the-job component, essentially a Contract of Training to circumvent 'training for training's sake'.





Industries such as aged care continue to experience an influx of graduates who, despite having been trained, cannot secure employment due to no on-the-job experience. These graduates are ineligible to undertake apprenticeships or traineeships under a Contract of Training because of their prior qualifications.

Industry stakeholders continue to voice concerns about the perceived lack of structured work placements in training delivery and the impact of this on student employability. It is the view of the Commission that training providers should ensure students are equipped with both theoretical and work placement competencies to maximise their opportunities for employment. Given the proposed provisions to the modern awards, these concerns do not exclusively relate to quality outcomes of training but also to financial impacts for employers.

In the 2013 *Skills for Jobs* plan, the Commission committed to working with the State Government to work with industry and enterprise to address the decline in commencements of traineeships and apprenticeships.

The Commission suggests:

- The Department of State Development (DSD) explore policy changes aimed at improving links between training and employment by increasing the number of qualifications that can only be undertaken through a Contract of Training and will no longer be offered institutionally.
- Government should prioritise public funding for GTOs to recognise employment outcomes.

The Pacific Services Group case study highlights some of the benefits of using a GTO for apprentice recruitment and placement. The apprentice is guaranteed of placement during their apprenticeship and gains diverse skills in various work and business settings. The host employers benefit from access to a flexible workforce that responds to changing demands and workloads.

The pastoral care provided by GTOs and the security of employment they can offer enable GTOs to provide individuals, businesses, governments and industry with above-average apprentice and trainee completion rates.



## Supporting our Public Provider

**The Commission acknowledges there is a unique role for TAFE SA in the South Australian VET market. However, it is concerned about the lack of clarity around this role, which it believes to be broader than is presented in discussion about community service obligations (CSOs), target cohorts, supporting government policies and delivering in regional and remote areas or where markets have failed.**

The Commission remains committed to contestability in the VET market in South Australia and the notion that the public provider, TAFE SA, should be supported in the transition to a more contestable market. However, if efficiencies and innovation in the VET system as a whole are to be realised the Commission believes the public provider should not be provided with indefinite support over the longer term. The Commission firmly believes that efficient and innovative business models of training delivery ultimately benefit both students and enterprises.

For the reasons canvassed by the Commission in last year's *Skills for Jobs* Plan and detailed below, the Commission is also of the view, given the structure and scope of the VET sector in South Australia, that a strong public provider is essential to achieving a stable, reliable and innovative system that can change and adapt to the needs of individuals, enterprise and government policy directives.

Given the historical context and the practical realities of TAFE SA's ownership and market dominance, the Commission acknowledges there are significant and unique challenges in appropriately positioning TAFE SA in a contestable market to ensure a strong VET sector in South Australia. Public funds must be used efficiently for education and training; within this context, TAFE SA funding arrangements must be transparent, easily understood and consistently applied while recognising the unique nature of the public provider and obligations that will incur costs beyond those of a private provider.

In 2013, the Commission supported the current approach to recognising the additional operating costs of TAFE SA – in delivering Government policy objectives, serving the regions, acting as a safety net for market failures, providing high-cost training and leading workforce development – by applying a differential price above that of private providers. However, the Commission is concerned that this price differential is applied across the spectrum of training activity and that the approach is not sufficiently transparent. The Commission now considers the model needs updating to ensure it is truly transparent, easily interpreted and sustainable.

It is the Commission's view that TAFE SA's continued success as one of Australia's largest training providers will be connected to the State Government's ability to settle the TAFE SA Board's dilemma; that is, the conflict between independence and being held accountable to the policy settings of the State Government in a myriad of forms and functions. The Commission strongly argued for TAFE SA to become an independent statutory authority in the wake of a contestable market and is sympathetic to the difficulties faced by a Board attempting to deliver the vast objectives of TAFE SA as 'the public provider'.

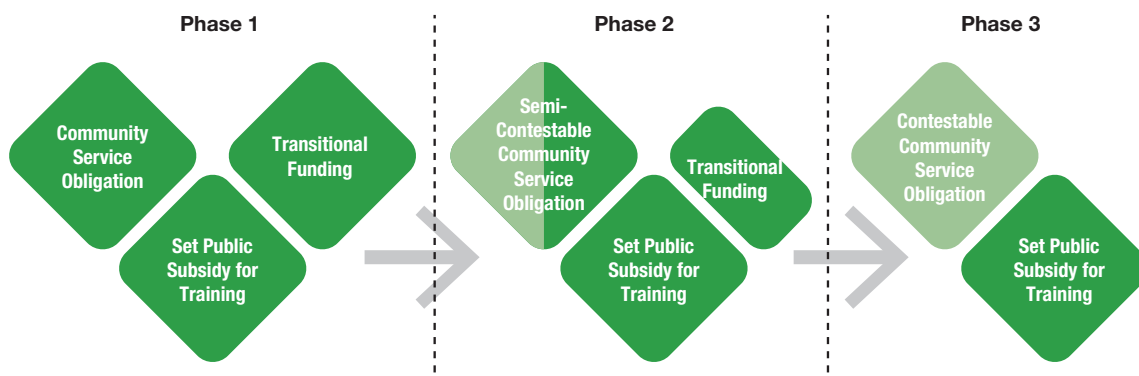
It is to balance the provision of sound financial management of a large organisation and delivery of the expectations of the State Government that the Commission recommends uncoupling the funding model. Uncoupling the funding model would support good governance of the TAFE SA Board and deliver the State Government's identified objectives for the public provider.

The Commission is concerned about the potential conflict between good governance and robust public policy settings in the absence of a clearly defined, easily understood and fit-for-purpose funding model. It has identified principles that could be applied to resetting the funding model to ensure viability, fairness and sustainability of the VET market:

- TAFE SA's role as the public provider should be clearly articulated in a public document and agreed upon by both the TAFE SA Board and the State Government.
- TAFE SA should receive the same public funding for the qualifications it offers as all other registered training providers.
- The State Government's Community Service Obligation (CSO) expectation should be settled by analysing and identifying each and every activity deemed a CSO and its efficient cost.
- Specific funding be allocated to the identified CSOs.
- CSOs should be contestable and opened to other organisations as the market matures.
- Legacy issues of the additional cost burdens on TAFE SA's operations need to be funded by the responsible party (the State Government) and should attract transitional funding that would decrease (and eventually cease) over time.

The Commission considers the following figure depicts the principles of a future-focussed TAFE SA funding model.

**Figure 8: The Commission's Principles of TAFE SA Funding Over Time**



The Commission recognises the difficult task ahead for the staff and the TAFE SA Board and acknowledges their work in creating an efficient public provider in an ever-tighter fiscal environment.

The future success of TAFE SA in an increasingly competitive VET market will be driven by innovation, flexibility, connection with industry and student needs – rather than by any support provided by government by virtue of its ownership status. TAFE SA has a unique opportunity to build on its record of innovation and partnership with industry, be immune to knee-jerk reactions to demand fluctuations and, ultimately, provide stability to the wider market and needs of the state.

The Commission does not support defining the unique role of the public provider around the concepts of market intervention, preferred provider status, or as the exclusive provider of CSOs. This would be counter to the objectives of high-quality and innovative training, competition policy and the best use of public funds. Further, the Commission acknowledges that CSOs are not the exclusive domain of government entities and are commonly contestable in advanced markets.

TAFE SA's transition in a new market must be supported. However, protecting inefficient structures and operations will not allow TAFE SA to maintain its status and record as an efficient and quality provider of essential skills and training to employers, communities and individuals.

### Understanding the role of the public provider

While the role and purpose of the public provider in a contestable VET market remain open to debate, the Commission aims to ensure that support of the public provider is based on clearly defined and measurable requirements, some of which may become contestable in the longer term. The following sections discuss the appropriateness, or otherwise, of the existing reasons underpinning the separate funding arrangements for TAFE SA.

### Government policy delivery

TAFE SA contributes to the social and economic priorities of Government by being government-owned and having structured internal policy levers available by direction of the Minister. The Commission acknowledges, too, that the cultural attributes of the organisation and its workforce lend themselves to a higher level of social inclusion than that present in many private training providers. To this end, TAFE SA is instrumental in achieving the Government's policy objectives, particularly its access and participation goals. However, the Commission questions whether this is unique to TAFE SA and cannot also be provided by private providers, including whether the additional costs are justified for the achievement of these objectives.

The Commission is concerned with the lack of clarity around TAFE SA's role, responsibility and process in delivering the Government's objectives and suggests this is an area to be explored by the Department of State Development.



### ***Regional and remote services***

The Commission considers TAFE SA's support of the state's regions is integral to the social fabric of communities and the supply of skills to businesses in rural and remote regions.

Beyond delivering education and skills, TAFE SA provides significant support within regional economies through the purchase of goods and services, employment opportunities and in many cases the provision of important community facilities. TAFE SA has a strong record of quality delivery for established programs and the provision of broad-based support to disconnected communities and disadvantaged cohorts in regional South Australia.

The support provided by TAFE SA to participation and social inclusion objectives of the Government cannot be overestimated. It is unlikely that the same level of provision can be achieved through the private provider sector in the short to medium term.

Further, TAFE SA plays an important and leading role in removing barriers to further education, providing pathways for low socio-economic, indigenous, rural and remote students to access further study and employment.

### ***Market failures and thin markets***

TAFE SA can provide necessary skills training where the market is otherwise unable to respond rapidly. The Commission acknowledges that striking the balance between market forces within the VET system and the allocation of training places to providers is a very difficult task.

Without fully considering the unique demands in thin markets, regional and rural areas and fields of significant specialist demand, it is difficult to recommend a formal structured process for allocating value to either the current application of TAFE SA's resources to market failures or the potential future intervention. The approach used to position TAFE SA and securely fund the role TAFE SA has in responding to thin markets and market failure will require significant analysis. The Commission recommends this analysis is undertaken immediately and that an approach determined.

### ***Quality assurance and leadership***

The Commission does not see TAFE SA as having an exclusive role in setting the benchmark of quality of the VET sector in South Australia. However, it does support the notion that without a strong public provider, the Government and the community will be less certain of quality VET outcomes. The confidence of employers and industry that the VET sector, as a whole, has the breadth to support innovation and the needs of an ever-changing economy is paramount and TAFE SA will continue to play a vital role in this.

The Commission strongly supports the critical leadership role TAFE SA has played and continues to play in developing the VET sector workforce. TAFE SA's efforts to maintain and develop the capability of its workforce, and in turn the wider VET workforce, are to be commended. It is the Commission's view that Government should continue to demand reforms that support TAFE SA in the ongoing development of the VET workforce.

### ***High-cost technical training and the breadth of program delivery***

An industrial agreement is in place that causes funds to be channelled away from maximising training outcomes and towards supporting non-competitive benefits to those covered by the award. While the Commission does not fully support the concept of 'full service delivery' – that is, supplying demand across all localities and to all students – it does believe TAFE SA is a cost-effective option that mitigates against the risk of failure in delivering high-cost technical training. TAFE SA ultimately cross-subsidises the significant costs of some programs through its wider suite of programs, but these cross-subsidies are not compatible with the demands of a fully competitive training market.

To the extent that TAFE SA's high-cost technical training is not financially viable at the standard price it will be necessary to determine whether it should attract additional funding on other criteria, such as market failure or thin markets.

### **Recommendation 10:**

.....

Ensure the funding arrangements to TAFE SA provides more transparent support through the transition period to a more contestable VET environment. A new funding model should identify and allocate funding that recognises the unique nature of the public provider while not protecting its full breadth of services otherwise offered in a contestable market.

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# The Participation Challenge

## Understanding and meeting the challenges of Access and Participation

The South Australian Government's 2013 *Economic Statement* outlines South Australia's continued challenge to transform into a diverse, highly skilled community, able to meet the needs of its changing economy and labour market. Continued economic volatility and the impact of structural adjustment activity as a result of downturns in the defence and manufacturing industries are anticipated to adversely affect labour force participation in South Australia.

As a consequence, it is becoming increasingly important to support the labour market transition of workers finding themselves vulnerable as a consequence of structural industrial and economic change. Pro-active and timely support for these workers may be the key to preventing their becoming further at risk and experiencing compounding issues which make a return to work more difficult.

Indeed, the state economy faces some significant challenges, including rising youth unemployment and a rapidly ageing population in comparison to national standards. The workforce participation challenge is heightened for vulnerable residents in areas of economic and social (labour market) disadvantage, particularly in the northern Adelaide region. The Commission considers it imperative to remove barriers and redress structural disadvantage, to improve access to vocational education and training and increase labour force participation in South Australia.

Over the past 12 months, Government has established clear employment policy settings, outlined in two documents:

- *Jobs and Skills* (October 2013).
- *Our Jobs Plan* (January 2014).

Additional employment-related commitments were made during the 2014 state election.

The rationale for these policies reflects the prevailing economic trend and labour market conditions in South Australia:

- Subdued conditions along with increasing cost pressures on businesses have resulted in the closure of significant operations across a number of sectors, in particular manufacturing operations.
- Many sectors have increased their focus on efficiency gains and cost reduction strategies to ensure their businesses are able to operate in the current environment.
- The combination of subdued conditions and economic restructuring has supported a general softening in labour market conditions (that is, fewer low-skill jobs and higher competition for those jobs). There are people in the community who are disengaged from the labour market and who need additional support to gain the skills and abilities needed to participate in higher skilled work.
- Workers displaced by structural change need their skills recognised and to be re-skilled to enable them to transition to new and emerging, usually higher skilled, jobs.

In response to this scenario, the *Jobs and Skills Policy* has framed the government's employment priorities as follows:

- The creation of more jobs in local communities.
- Prioritising training for the unemployed.
- Support for vulnerable workers as the state's economy changes and grows.

These commitments are further referenced in the State Government's *Our Jobs Plan*.

The Commission provides a broad overview of the economic and employment outlook for South Australia within this document. This is based on the Commission's baseline-projection, from which the impact of economic sensitivities and long-term structural changes can also be considered. It is the Commission's view that this approach represents the best basis for assessing the future economic outlook (including labour force participation) as variations in the key drivers are also taken into consideration.

In the next few years the main factors influencing lower participation will be slower economic growth and a slight rise in unemployment. But in the longer term the influence of an ageing population continues to accumulate, reducing the overall rate of labour

force participation even though participation may increase moderately within some age groups. The Commission's revised projections of economic and employment growth predict a labour force participation rate of 62.5 percent in 2017-18, and then a slight recovery to 62.8 percent is expected over the period to 2024-25.

The realisation of this subdued participation rate would represent a reduction of 1.7 percentage points in 2024-25 compared to the previous plan's aspirational participation rate target of 64.5 percent. Moreover, the state's participation rate of 62.4 percent (as at August 2014) is anticipated to remain below the national participation rate of 65.2 percent, consistent with the Commission's long-term projections to 2024-25.<sup>14</sup>

The participation rates of specific age and gender cohorts is not indicative of the variance between the South Australian and national participation rates for each five-year age group, because South Australia has an older demographic profile. Indeed, it is an overarching recommendation of the Commission that policy settings encourage access to training and employment and raise the rate of labour force participation in line with South Australia's skills and workforce development priorities.

#### Participation rates for the year to June 2014, by age and gender

Reducing the participation disparity of youth and older workers is fundamental to ensuring South Australia achieves the productivity needed to support the transformational shift in our economy. Overcoming this challenge will require an increase in youth participation in the workforce, to offset the diminished supply of skilled workers in South Australia's ageing population.

Table 11 shows South Australian labour force participation rates by age and gender for the year to June 2014. Increasing the baseline participation rates below is necessary to address the economic challenges associated with South Australia's diverse and ageing demographic profile.

**Table 11: South Australian participation rates for the year to June 2014, by age and gender**

	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70+
Male	52.1%	78.9%	92.5%	90.2%	90.0%	89.5%	88.0%	85.7%	78.6%	61.6%	33.5%	6.6%
Female	56.8%	72.2%	74.2%	72.2%	70.9%	77.7%	79.0%	79.3%	64.7%	48.5%	17.7%	2.4%
Persons	54.4%	75.6%	83.5%	81.3%	80.5%	83.6%	83.5%	82.5%	71.5%	54.9%	25.4%	4.3%
<b>Total 62.2%</b>												

Source: Australian Bureau of Statistics, Labour Force Survey Cat. No. 6202.0

<sup>14</sup> Australian Bureau of Statistics, Labour Force Survey Cat. No. 6202.0, August 2014



To close the gap between current levels of participation and those required, South Australians in marginal groups must gain access to training and work. This is the largest pool of untapped potential in the state. Bolstering participation requires Government to drive effort that ensures every South Australian who is willing to work has access to opportunities, and is adequately skilled, to do so. Strategies to lift the workforce participation of people with multiple barriers to education and employment should be integrated with systems and services oriented towards the whole person. Long-term, systemic approaches to support the participation of those who are marginalised or most vulnerable in the labour market are needed.

The State Government should implement measures to raise productivity and address the diversity of labour force participation in South Australia. The following measures seek to raise the baseline participation rates:

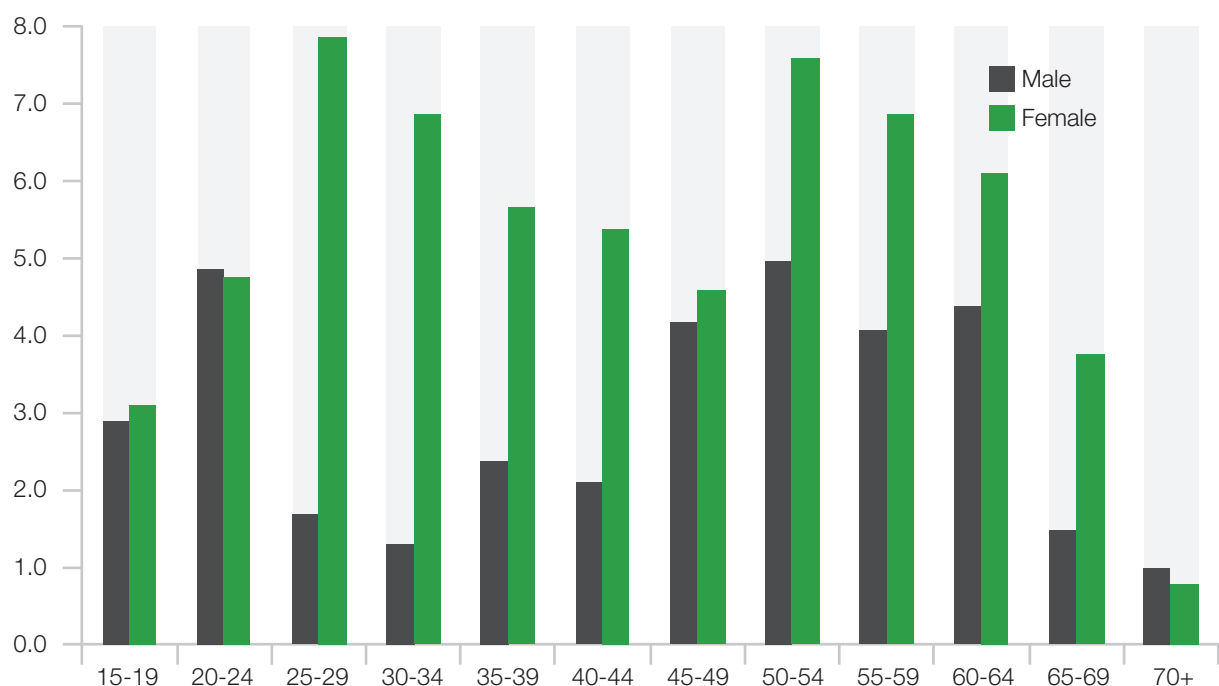
- Enhance youth educational attainment (completion of year 12 or equivalent).
- Promote the benefits to individuals of life-long learning.
- Focus on the responsibilities of employers to provide opportunities for on-the-job training with an emphasis on the need to retain currency of skills.
- Facilitate seamless transitions and ease of navigation through the higher and vocational education and training systems.
- Ensure complementarity of Commonwealth and State training and workforce participation initiatives.

- Provide individualised support for:
  - Job seekers who have successfully completed a *Skills for All* funded qualification, including those who have accessed Learner Support Services, but need additional assistance to transition into employment.
  - Unemployed people who want to participate in the workforce as they represent an untapped resource/untapped labour pool.
- Improve coordination of service delivery and development of targeted programs that support disadvantaged cohorts (that is, location-specific programs that involve government, industry, employers and communities).
- Strengthen pathways between the education system and the labour market.
- Address the skills deficit of individuals with low levels of formal education, including the provision of wrap-around services.

Investing in such measures increases the productivity of individuals as a result of maintaining current and relevant skills (primarily those already in the labour force) and raises the participation of individuals with a skills deficit (primarily those out of the labour force who are disadvantaged or marginalised).

The Commission recognises that an increase in South Australia's labour force participation rates is required in order to meet the projected industry demand for higher-level qualifications. Figure 9 illustrates the participation rates by age and gender necessary to achieve a 62.8 percent participation rate by 2025.

**Figure 9: Percentage Point increase required in Labour Force Participation Rates by Age and Gender**



### Skills for All

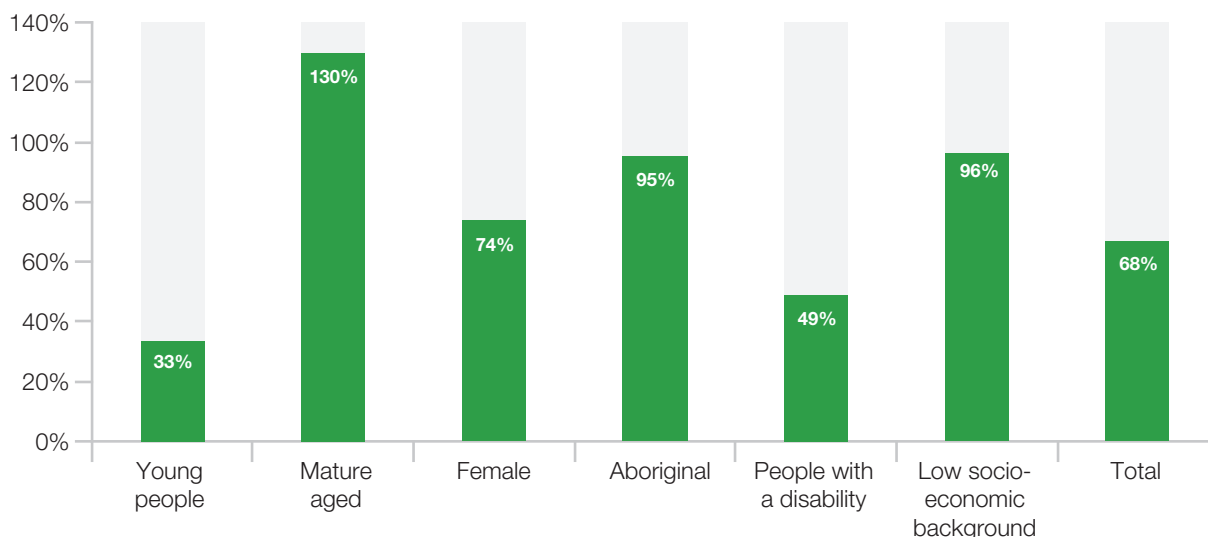
In recent years the South Australian Government has made significant reforms to our education and training systems to provide disadvantaged adults with the opportunity to gain a qualification, thus contributing to the social and economic development of the state.

A basic tenet of *Skills for All* is to increase the number of South Australians who have completed a qualification (particularly at Certificate III and above), thereby contributing to the state's economic development.

As detailed in last year's plan, the first year of the *Skills for All* initiative demonstrated significant increases in enrolments of several target cohorts.



Figure 10: Enrolment growth over 2 years of *Skills for All*, 2011-12 vs 2013-14




Source: DSD data extracted September 2014.

*Skills for All* data highlights an increase in enrolments over the two-year period July 2012 to July 2014 of people aged 55 and older (130 percent), low SES (96 percent), female (74 percent), disability (49 percent), young people aged 15-24 (33 percent) and Aboriginal people (95 percent). These increases have been complemented by State Government participation and employment programs that support students who are not ready to take up training opportunities and proceed along a 'participation continuum' towards increased economic participation.

These figures reinforce the broadening of access and participation through *Skills for All*, despite significant modifications to course funding through capping and banding in the past year. This may be due to the special consideration given to disadvantaged students in terms of eligibility and funding arrangements.

As such, *Skills for All* has continued to provide many disadvantaged adults with an opportunity to gain a VET qualification, usually at AQF Level I or II, and often with the assistance and support of local community centres and other Adult Community Education (ACE) providers.

The Commission has long advocated for access and participation measures that support the policy directions of *Skills for All* and the broader policy priorities of Government. It is important that any future changes to funding or policy settings continue to prioritise disadvantaged learners, so that training participation levels and potential employment readiness are maximised. The Commission's Capacity Management approach to funding, detailed elsewhere in this plan, insists upon the application of special principles for designated cohorts, including disadvantaged students who may not otherwise be served through funding allocations.



Despite the increases in training participation encouraged through *Skills for All* there remains a concern that people who may have been served previously through communities and relationships with ACE providers are being excluded. The Commission perceives these links between individuals and community centres to be critical to increasing access to learning opportunities and pathways to employment for those who are disengaged from education or work.

TAFE SA's innovative program linking pathways in ACE is a leading example of a flexible and responsive approach to addressing the individual needs of adult learners and wider engagement with the community. The program provided assistance for ACE participants to move from non-accredited ACE programs to accredited training programs. In particular, the Commission notes the overwhelming success of the program in delivering:

- Innovative and flexible programs that addressed the barriers to participation experienced by many adults in communities.
- Transition arrangements from non-accredited to accredited training programs leading to further education and employment.
- Innovative approaches to the recognition of prior learning for participants in non-accredited learning programs.
- The delivery of accredited vocational and technical education and training (VET) modules or courses in community settings.

The Commission's consultations with Adult Community Education providers indicate that the cessation of funding from July 2012 has created a significant gap in the delivery of accredited qualifications (Certificate I – III). Funding arrangements *Skills for All* do not fund ACE providers. To encourage seamless transitions, ACE providers and RTOs must develop partnerships to negotiate current funding arrangements under the *Skills for All* framework. Given that ACE providers that deliver accredited qualifications are generally unable to absorb the upfront costs associated with training delivery, payments must be sought before commencement. The Commission is concerned that the onus on ACE providers to secure appropriate resources and negotiate pricing for accreditation, without the capacity for forward planning on an annual basis, is detrimental to the provision of adult community education.

### **Access and Participation of disadvantaged cohorts**

The workforce participation of disadvantaged jobseekers across South Australia, particularly young people at risk, mature age workers and Aboriginal people has been prioritised by the State Government.

Implementation of the Commonwealth Government's 'Earn or Learn' Policy (effective 1 January 2015) will mandate compulsory waiting periods for social assistance and participation in job search and 'work for the dole' activities. Those with a limited capacity to work, who are in education or training, or who have a significant disability will be exempt from standard requirements, as will those with parenting responsibilities.

As an example, South Australia had in October 2013 31,693 people receiving Newstart or Youth Allowance, with the highest concentrations in Northern Adelaide (7,810). There were approximately 5,825 people aged 15-19 neither learning or earning in Northern Adelaide<sup>15</sup>, around 28 per cent of the total number of such people state wide. These figures could usefully be subject to further analysis; as school attendance is compulsory in South Australia until the age of 17, it may be that a large proportion of this cohort is within the 17-19 age bracket. In addition, analysis of the number of new arrivals moving to the Northern suburbs who are unable to work due to Visa conditions is warranted.

Young school-leavers who have the academic capacity or inclination to pursue a university pathway are afforded the option to accumulate their fees into a HECS debt, which they repay when they enter the workforce. However, those individuals who choose to undertake a (Certificate level) VET qualification that is not fully subsidised under *Skills for All* must pay the costs of training upfront. The Commission is of the view that these costs are often prohibitive and prescriptive in terms of influencing individuals' choice of qualification, and, as a consequence, future career trajectory.

This issue is exacerbated by the restricted availability of the VET FEE-HELP scheme to assist eligible students undertaking Diploma level qualifications and above. The scheme has been extended to selected Certificate IV level qualifications as part of a trial (until 2016) but there are instances where there are currently no eligible VET providers in South Australia (for example, Certificate IV in Aged Care).

<sup>15</sup>Public Health Information Development Unit, Social Health Atlas of Australia, South Australia, October 2013 Release

### **Students in regional areas**

Through its regional consultations in the Yorke and Eyre Peninsulas, Barossa region and the APY Lands in 2014, the Commission has noted the implications of thin VET markets in regional areas. Online (external) course delivery is commonly used to deliver courses in regions where there is limited demand. Substantial investments in technological infrastructure have been made in recent years to support online delivery. However, the Commission is concerned that a relative investment has not been made in up-skilling disadvantaged individuals to capitalise on such technological advances. Online delivery is advantageous, but it is not suitable for every learner.

In addition, it is recognised that many people, particularly those who are disengaged or disadvantaged, are best suited to peer-supported learning environments with the opportunity for regular face-to-face contact that reflects the employment context. A good example of this integration is evident at TAFE SA's Kadina and Port Lincoln campuses, where business administration qualifications are delivered in simulated learning environments. Nonetheless, distance is a factor that often limits contact and physical engagement in training environments, with a corresponding impact on completions and employment pathways.

*Skills for Jobs in Regions* is the South Australian Government's acknowledgement of the unique employment challenges and opportunities in each of South Australia's regions, and led to the Government's *Jobs and Skills* Policy commitment to fill up to 14,000 job opportunities over 2013-16. The program has two funding elements: the *Regional Employment Fund* (REF) and the *Strategic Employment Fund* (SEF). The REF is delivered in partnership with the seven Regional Development Australia (RDA) organisations in regional areas, and Western Futures, Northern Futures, the City of Onkaparinga and the North East Development Agency. The SEF is delivered contestably through a panel of approved providers.

*Skills for Jobs in Regions* funds locally developed, tailored employment projects that assist people who do not have jobs, or who want to work more, to access work in their local communities and retrenched workers transitioning in the labour market. Employment projects are developed with employers who are prepared to commit to jobs. This is a 'jobs first' approach.

An important component of *Skills for Jobs in Regions* is its strong local stakeholder engagement and ownership, which has developed since 2004 into a mature 'infrastructure' across South Australia with strong participation from regional service organisations, industry, and employers.

This 'infrastructure' is underpinned by seventeen (17) Regional Networks and fifteen (15) regional Industry Leaders Groups across South Australia. These bodies bring together service providers from government and the community sector to advise and act on the unique employment challenges and opportunities of their regions. More than 1,500 organisations across the state participate in these networks.

The Commission supports the ongoing work of the *Skills for Jobs in Regions* program in fostering regional industry, community and government in local decision-making and the building of a culture of problem-solving and ownership at local levels.

### **Mature-aged jobseekers**

In May 2014 the Commonwealth Government announced an increase in the official retirement age to 70 by 2035. The policy will have significant workforce implications and is anticipated to change the employment landscape nationally, including in South Australia. In this context, measures to support the mature-aged workforce are necessary to ensure employment participation is maximised. This will be especially difficult for the least skilled unless they are given the opportunity for retraining.

Over the next 40 years the ageing of the population will double the number of people aged 65-84 years, while there will be more than four (4) times as many people aged 85 years and over.

The Commission considers the population aged 55-70 years to be a considerable untapped source of productive capacity; programs that support mature-aged workers are essential. In February 2014, the State Government made a \$1.55 million commitment to supporting job creation for older South Australians through three initiatives:

- Funding of \$150,000 a year over four years for DOME (Don't Overlook Mature Expertise) to extend assistance for 1,200 older workers, including 300 people aged over 60 years, generating at least 600 employment outcomes.
- Expansion of *Skills for Jobs in Regions* by \$213,000 a year over the next four years to assist an additional 1,000 older South Australians into work.
- Funding of \$100,000 for COTA (Council of the Ageing) to run workplace programs that raise awareness of the benefits of flexible arrangements and age-inclusive practices.

The Commission is highly supportive of the work being undertaken through a multi-agency and community partnership involving the South Australian Equal Opportunity Commission, Office for the Ageing, COTA, DOME, and the Australian Industry Group (AiG). It is the long-standing view of the Commission that cross-agency collaboration and commitment is necessary to ensure positive outcomes for those people most at risk of non-participation.





### **People with disabilities**

People with disabilities face considerable challenges both in finding suitable and sustainable employment and in accessing and completing training. As a result, they tend to have considerably lower workforce participation rates, higher unemployment rates and lower levels of educational attainment than people without a disability. However, *Skills for All* has had a consistently positive impact on their access and participation. *Skills for All* course enrolments for people with disability rose from 4,895 in 2012 to 7,275 in 2014, an increase of 49 percent.

In addition, more than 1,300 people with disability joined participation and employment programs, with over 300 employment outcomes in 2012-13. Individual support for students with a disability continues to be essential to successful employment and training outcomes.

Support programs for people with disability are guided across jurisdictions by the Council of Australian Governments' (COAG) *National Disability Strategy*, with the responsibility for providing disability employment services on behalf of the Commonwealth Government.

### **National Disability Insurance Scheme (NDIS)**

The Commission's 2013 Forward Agenda outlined a commitment to monitor *'the implementation of the National Disability Insurance Scheme, with a particular focus on the likely future workforce needs of the Disability and Care sectors and issues related to workforce development, skills and qualifications acquisition and utilisation'*.<sup>16</sup>

The Commonwealth Government tendered for new disability employment services in early 2014, with contract offers expected in late 2014.

The ongoing trial of the National Disability Insurance Scheme (NDIS) at selected sites across Australia since July 2013 represents a significant policy initiative that will shape the lives of people with disability.

The NDIS will introduce supports that increase the capacity of people with disability to participate in work and training. There is opportunity for Commonwealth and State Government collaboration to increase these opportunities.

The full implementation of the NDIS by 2018 is expected to create an additional 3,000 jobs in South Australia's disability sector. At risk is the ability of the sector to meet the increased demand for skilled disability service workers in South Australia.

The occupation group 'aged and disability carers' is one of the fastest growing occupations in Australia and is included on Australia's 2013 Specialised Occupations List. The Commission is concerned that despite the anticipated growth for aged care and disability support workers, Certificate III in Disability has been removed from the *Skills for All* Funded Training List; this could have immediate and long-term consequences for the aged care and disability workforce.

There is an extended duration (of attainment) and close occupational alignment for disability and aged care qualifications. According to AWP, the aged and disability care sectors are supported by high entry-level qualifications (58 percent of those employed in the occupation hold a Certificate III level or higher) and compared to the national average has historically high levels of employment growth and higher than average proportion of the workforce aged 55 years or over.

Nationally, the number of aged and disabled carers is expected to increase by about 31,300 (or 27.7 percent).<sup>17</sup> Further, Treasury anticipates that full roll-out of the NDIS will require the formal disability workforce to double in size.<sup>18</sup> This increased emphasis on consumer choice will require the industry to build workforce capacity and skills.

The Commission will continue to monitor the potential impacts of this required expansion in workforce size and how policy reform of the sectors redefines need for adaptations in training. It is likely that an increase in demand for VET-qualified workers will be an immediate result as these qualifications are essential to shaping the sector's workforce. It will also be necessary to monitor how the growth in both sectors may affect the aged care workforce; for example, if the higher wages paid in the disability sector divert staff from aged care. The Commission's focus on the importance of ensuring the Adaptive Capacity of future workforces will remain an important lens through which to assess how these growing sectors may provide opportunities for employment mobility.

Meanwhile, the Commission supports the feasibility study currently being undertaken by the State Government (announced as part of *Labor's Plan for South Australia*) to establish a disability hub in the northern suburbs that will provide training for new jobs and co-located services for people living with disability, their families and carers'.

<sup>16</sup>The Commission's Policy Agenda – The Participation Challenge, TaSC Skills for Jobs 2013, Vol. 1, p.69

<sup>17</sup>Community Services & Health Industry Skills Council, Environmental-Scan, 2014

<sup>18</sup>SA Budget 2013



### **Indigenous South Australians**

Despite significant improvements in the number of indigenous South Australians attaining post school qualifications, the gap between Aboriginal and non-Aboriginal employment has widened in South Australia. For example, in 2012-13, 45.1 percent of Aboriginal people of working age were employed and the Aboriginal unemployment rate was 24.3 percent. By comparison, 73.2 percent of non-Aboriginal South Australians of working age were employed and the unemployment rate was 5.1 percent.<sup>19</sup> *Skills for All* course enrolments for indigenous South Australians increased from 1,400 in 2011-2012 to 2,700 in 2013-14. This is a 95 percent increase in qualification enrolments for the State Governments flagship skills policy.

The Commission considers it imperative that employment outcomes are achieved as a direct result of public investment in training, even more so given the unique and challenging nature of indigenous employment. To 'close the gap', the Aboriginal Employment Industry Cluster initiative was developed in 2011 with support from both the South Australian and Commonwealth Governments (through the Department of Employment).

In South Australia, over 50 employers across seven industry clusters including Professional Services, Energy Water and Resources, Advanced Manufacturing, Hospitality, Community Services, Retail and the South Australian Public Sector to address the under representation of Aboriginal people in their respective workforce.

The Industry Cluster approach has enabled employer collaboration and facilitated the development of strategies that encourage the recruitment and retention of Indigenous people. The Commission acknowledges the importance of working with schools, universities, Job Service Providers, Industry associations and Australian Government Indigenous Employment Program (IEP) providers to assist Aboriginal job seekers to gain employment through traineeships, apprenticeships, cadetships and direct employment. A unique proposition of the Industry Cluster Initiative is the propensity to strike a balance between informally engaging potential Indigenous employees and a formal structure that provides a single entry point for industry to access an untapped labour source.

The policy framework underpinning this initiative is tied to South Australia's Strategic Plan Target 51 to halve the gap in Aboriginal unemployment rates between Aboriginal and non-Aboriginal people by 2018. This reflects South Australia's commitment to the COAG National Indigenous Reform Agreement (NIRA) target to halve the gap in employment outcomes between Indigenous and Non-Indigenous Australians within a decade.

To achieve the NIRA target, in South Australia each year between 2008 and 2018, an additional 520 Aboriginal people need to gain and sustain employment.

The Commission is a long standing advocate for programs that provide good return on government investment by working collaboratively with industry to achieve direct employment outcomes.

From June 2011 to December 2013, The Aboriginal Employment Industry Clusters employed 526 Aboriginal people and 959 were supported into industry relevant training.

The Commission estimates that in South Australia there will be total job openings over the five year period from 2012-13 to 2017-18 of 109,000. Although most of these job openings are expected to be a result of replacement demand, there will likely be 24,000 new jobs. Consequently, Indigenous persons who due to a lack of skills, capacity and supports experience barriers to labour force participation will have additional opportunity based on this initiative.

The initial success of the Industry Cluster strategy in South Australia can be largely attributed to the employer led approach that has successfully linked skill development and training to jobs and industry demand by connecting Aboriginal jobseekers with employers.

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**It is the Commission's view that these Industry Clusters are well positioned to build the capacity of employers to access and sustain employment of Indigenous people and, as a consequence, increase employment growth. The Commission considers the development of tailored workforce participation programs and targeting Aboriginal people in priority regions a reasonable extension of the Industry Cluster Initiative.**  
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<sup>19</sup>Source: Australian Bureau of Statistics, Australian Aboriginal and Torres Strait Islander Health Survey (2013)



## The Commission's Access and Participation Focus

### Career development and support services

In 2013, the Commission recommended that *'careers services be expanded to provide tailored, South Australian specific employment information before individuals undertake publically funded training to ensure students are matched with appropriate employment or pathway focused training'*.

Career development is an important element supporting the South Australian Government's priorities for employment, workforce participation, productivity and VET.

Career services are provided through the Department for State Development (DSD) to people who are not in the workforce, are unemployed or are underemployed. These services are provided across the state through a network of fourteen (14) local providers and support job seekers in weak labour markets, especially in some regional areas of South Australia. When integrated with complementary labour market programs, projects and services, their effectiveness is increased.

Since 2006, career services have helped more than 22,500 South Australians with learning, training and work transitions and over 6,900 to find employment. Individuals are assisted with:

- Help to identify skills and experience researching and organising training pathways.
- Tailored career guidance and planning for career options and directions.
- Advice about local industries and job opportunities.
- Preparing resumes, job applications and interview techniques, tailored to specific industries and jobs.
- Identifying and gathering evidence toward Recognition of Prior Learning.

These services have been independently reviewed and found to represent a comprehensive system that consistently exceeds targets, achieves significant outcomes for individuals and strong regional engagement.

Career services are also a critical component of Government's support for workers in transition, particularly in industries experiencing structural change. Retrenched workers and those facing retrenchment represent a large group of people assisted through career services. These workers, and people experiencing disadvantage in the labour market, benefit greatly from tailored face to face career services delivered in all twelve (12) State Government regions.

The Commission has continued to advocate for the expansion of career services and information that assists students undertaking publicly funded training to be better matched to appropriate employment or training pathways.

The Commission offered initial support for developing the Department of State Development's (DSD's) online presentation of career services information, including information related to labour market and occupational profiles for the *Skills for All* website, which is intended to improve the accuracy and relevance of career services information. The department is to be commended for the subsequent inclusion of South Australia-specific labour market information (based on the modelling work undertaken by the Commission) to encourage informed choice in relation to training and employment pathways. This will contribute considerably to achieving the outcomes associated with the Commission's recommendation.

Nonetheless, career services more generally have been hit hard by Federal Budget implications. The Commonwealth Government has stopped funding a number of career development initiatives, including the myfuture website, the *Jobs Guide*, and career development services for mature-aged people (*Experience+*) and parents returning to work. Ceasing publication of the *Jobs Guide*, for example, limits the availability of information that supports an individual's decision about the transition from school to work. Indeed, links between school, TAFE and university are often dependent on the capacity of career advisors and counsellors employed to impart this information. For example, career practitioners are aware of what universities offer and help participants research information, then refer to the university career centres for more specialised assistance.

The Commission appreciates State Government budget constraints that limit the capacity to provide more career services, particularly in light of the Commonwealth budget context. However, the Commission considers further leveraging of existing resources and better integration will improve the provision of career services in South Australia.

## Adult Community Education (ACE)

The Commission has a legislated responsibility to monitor and ensure adequate support for the successful functioning and development of the Adult Community Education (ACE) sector. In particular, strategies for ACE development and other forms of adult learning – including local, national and international best practice in increasing access and participation rates – have been of long-standing interest to the Commission.

In 2014, the Department of State Development (DSD) commissioned an external evaluation of the ACE program. The evaluation investigated three key areas of performance: the effectiveness, appropriateness and efficiency of the ACE program with reference to ACE participants, program service providers and program administration. The Commission looks forward to considering the completed report as part of its role in advising the Minister in relation to adult education. The Commission is committed to supporting the original intent behind the ACE program, which is to provide a learning gateway that offers foundation skills training and exposure to education in informal settings as people start their learning pathways. These pathways may lead to employment – but also to further education, training opportunities, volunteering and greater participation in community life more generally.

In 2014-15 more than 1,000 people are expected to participate in ACE-accredited training programs and 13,500 enrolments are expected in ACE's non-accredited program. In addition, 450 community centre staff and volunteers will undertake skills training to continue building the capacity of the ACE sector across South Australia.

In November 2013, following sustained advocacy on behalf of the Commission and its legislated subcommittee, the Access and Participation Reference Group, the Minister for Employment, Higher Education and Skills approved implementation of triennial funding for the ACE sector from 2014-15 to 2016-17. In January 2014, the Minister approved the ACE providers recommended to receive triennial foundation skills grants.

The process to obtain funding involves an initial cycle of triennial funding approvals where 60 percent of total ACE Foundation Skills Grants funding is committed to approved organisations. The remaining 40 percent of program funding is released annually through a contestable application process that began on 21 February 2014. This two-step process gives organisations that were initially unsuccessful another opportunity to apply.

This new funding arrangement enables providers with a proven track record of meeting established targets to establish long-term plans, improve staff tenure, build community services and reduce red tape through:


- Adopting a master agreement for accredited and non-accredited training funding streams.
- Reducing the re-application processes for years two (2) and three (3), so that only a course delivery plan will be required.
- Reducing the level of detail the process requires.

There have been high approval rates for triennial funding with objective outcomes. For example, ten (10) of fourteen (14) providers have been funded to deliver accredited foundation skills programs to achieve 32,610 student contact hours for 1,247 participations. Similarly, 28 of 34 providers have been approved to deliver non-accredited foundations skills programs to 3,290 participants over 78,810 FTE contact hours.

### Case Study

#### ACE Triennial Funding Wandana Community Centre

The triennial funding arrangements have been a real positive for Wandana Community Centre, its learners and community. The arrangements allow for longer-term thinking and give continuity for more effective program and pathways planning. Staff members appreciate the certainty that comes from familiarity with the centre and clients. Centre management had been concerned about falsely raising expectations of adult learners – people who already have significant barriers to participation. Triennial funding has provided the assurance needed to offer an important service to the Adult Community Education sector.



As part of its commitment to the ACE sector, the Commission sponsors the Adult Learner's Week Awards Dinner, which precedes a week of activities coordinated across ACE providers in metropolitan and regional areas. These activities aim to increase awareness and engagement with the ACE sector in communities across the state.

In 2014, about 1,100 participants attended more than 50 events across the state under the umbrella theme of 'Community Connections'. Regional areas were well represented with approximately 21 percent of activities delivered outside metropolitan Adelaide.

Joseph Petrizza was recognised as South Australia's 2014 Adult Learner of the Year as a result of his overcoming significant barriers to participate in training and employment.

#### ***Adult Community Education (ACE) personal support program***

The Commission has long advocated the need for Community Engagement Officers to establish connections between disengaged individuals within the community and the education provided by community centres. These roles are considered pivotal to strengthening participation in ACE and expanding the reach of community centres.

In 2014, the ACE sector has been successful in gaining funding for the Adult Community Education (ACE) Personal Support Program (PSP). The program is funded for four years (until 30 June 2018) and is targeted at individuals who are disengaged from the workforce and those with low educational attainment (year 10 equivalent). From 30 September 2014, four (4) Community Engagement Officers are operating across three sites (Hackman West Community Centre, Glandore Community Centre and Gawler Community House) to provide individualised support for people to address barriers to participation and transition into training, volunteering and employment.

The Commission commends the ACE sector and Community Centres SA for its strong advocacy and success in securing funding for the ACE program.

#### **LLN and foundation skills**

Stakeholders repeatedly raise with the Commission the importance of Language, Literacy and Numeracy (LLN) skills. The Commission's regional consultations highlighted the perceived lack of LLN as a major impediment to the supply of skilled workers to industry. From an employer perspective, there is concern that too many individuals are not equipped with basic literacy, numeracy and general life skills when entering the workforce.

The National Foundation Skills Strategy aims to equip at least two thirds of working Australians with the literacy and numeracy skills needed to take full advantage of opportunities afforded by the new economy by 2025. Specifically, the Strategy seeks to raise literacy and numeracy levels to a minimum of level 3 or above (based on the scale utilised in the OECD Adult Literacy and Life Skills Survey). Currently, only 50 percent of Australians meet this target.

The National Foundation Skills Strategy highlights four priority areas for action:

- Raising public awareness and commitment to action.
- Providing high quality learning opportunities and outcomes for adult learners.
- Strengthening foundation skills in the workplace.
- Building the capacity of the education and training workforce to deliver foundation skills.

The Commission commends recent reforms that will enable the education and training sector to deliver more foundation skills. This includes the requirement for all new practitioners to complete the adult LLN unit (TAELLN401A) as part of their Certificate IV in Training and Education. From 2015, all existing VET practitioners will also be required to complete the adult LLN unit.

In South Australia, the development of LLN skills has been supplemented by the increased provision of Learner Support Services (LSS). This has enhanced the opportunities available for disadvantaged adults to successfully pursue a training pathway and transition to employment. However, the Commission is concerned such initiatives are only available to those individuals undertaking a VET qualification. Therefore, a gap exists for those who need to develop foundation skills before entering the VET system.

It is the Commission's long-standing view that community centres have an important role to play in building foundation skills, including those skills that prepare individuals for work and life. These skills are essential in many industries to meet the minimum entry-level requirements.

The Commission also emphasises the importance of treating LLN skills like any others; that is, they need to be used or they are lost. Opportunities to apply LLN skills in work and community settings are pivotal for entry to the workforce and for upskilling, skills broadening and employment participation. Employers have a responsibility in this regard.



### **The South Australian Certificate of Education (SACE) for adults**

In 2014, the Commission agreed to monitor *'the impact of changes to Government policy on access for adults to the South Australian Certificate of Education within the State schooling system'*.<sup>20</sup>

In 2013, the Commission was alerted to concerns that implementation of the *Adult Education Provision Policy (2012)*, administered by the Department for Education and Child Development (DECD), may have narrowed access to the South Australian Certificate of Education (SACE) for adult learners and hence restricted possible ongoing education and pursuit of further learning pathways.

The policy requires any adult learner over 21 years of age to complete their SACE within five calendar years, which can preclude those with sub-standard Language, Literacy and Numeracy (LLN) skills, a disability or inability to work. While it is difficult to ascertain exact numbers it is probable that some in this cohort may be continuing to engage in education through community centres, VET and ACE providers.

Before this policy was implemented, funding of adult re-entry schools aimed to encourage those considering re-entry into education to achieve the SACE. In this context, funding was provided to support those individuals previously disengaged from education or training to pursue an adult learning pathway. However, the loss of DECD funding to adult re-entry schools for adult learners who are not working towards the attainment of a VET qualification or completion of the SACE has potentially prohibited access and participation.

The Commission is particularly concerned for individuals who have dropped out of school-based education before the current minimum age provision and may not have the LLN skills to undertake and complete the adult SACE. The LLN eligibility criteria for adult learners looking to enrol in the SACE are at best subjective and at worst denying individuals to develop these skills as part of their education and training.

There exists widespread agreement that disadvantaged learners must be taught basic LLN skills so they can meet minimum SACE requirements. In light of this policy change within adult entry schools, the Commission believes the development of LLN skills needs to be appropriately embedded in preparatory learning programs across a broad array of foundation courses delivered by a range of providers outside schools.

The Commission recognises that a major strength of adult education is its capacity to engage the most educationally (and often socially) disadvantaged learners, and to be truly flexible and responsive to individual needs. In this context, community centres play a pivotal role in preparing adult learners' transition towards formal education pathways.

Despite ongoing challenges stemming from implementation of the *Adult Education Provision Policy*, adult re-entry campuses have developed targeted solutions to navigate the identified constraints (and work within the parameters) of policy changes impacting on adult education.

The SACE Board is also endeavouring to make the SACE more flexible to different learning styles and the needs of those not captured within adult re-entry schools. The recently approved *SACE Providers Policy* allows non-DECD schools to offer some subjects within the SACE and receive, for a fee, assessment and moderation services directly from the SACE Board. This will enable students to gain credit towards the SACE for particular programs and through Recognition of Community Learning. Under these arrangements ACE programs delivered by community centres may qualify for SACE credit.

The Commission supports the new SACE Board policy as a better way of meeting the diverse needs of disadvantaged students above 21 years of age and in delivering the SACE flexibly and in more varied adult settings. Further, the Commission encourages the relevant ministers to collaborate to ensure that flexible, varied educational options within adult-re-entry, community and VET settings are supported for adults over 21 years of age wanting to pursue SACE or other learning pathways.

<sup>20</sup>The Training and Skills Commission, Five-Year Workforce Development Plan, The Participation Challenge, 2013, Volume 1, p.72.





## Expanding participation of disadvantaged cohorts: LSS and BFO

People who have experienced disadvantage, or have been disengaged from learning and employment for a long period, benefit most from tailored service delivery that address the barriers to a person's potential to access and succeed in learning and work.

In 2013, as part of its Forward Agenda, the Commission committed to promoting 'access to, and the expansion of, Learner Support Services and the Building Family Opportunities programs'.

### Learner Support Services (LSS)

Specifically, in relation to Learner Support Services (LSS), the Commission recommended, *'the embedding of Learner Support Services in the training system, with support for students with complex needs becoming a fundamental part of ensuring the demand-driven VET training system meets the needs of disadvantaged learners'*.

Since 2011-12 funding for LSS has been provided to TAFE SA and, in 2012-13, was extended to a selection of private providers with higher than average numbers of students with low income and educational attainment. In 2012-13, TAFE SA and private providers supported 986 students with complex barriers to entering or participating in training. Many were students with a disability (40 percent) and a significant proportion comprised indigenous students (7 percent).

The Commission notes the success of LSS in achieving positive outcomes for students with complex support needs entering the training system, limiting churn at lower-qualification levels and providing excellent return (in terms of completions) on program investment. While there remains a need to ensure that organisations capitalise on existing partnerships and other supports to gain the maximum benefit for program participants, the Commission welcomes the increase of LSS funding in 2014-15 to provide support for 1,700 students.

The Commission's 2013 plan reported the outcomes of students participating in the 2013-13 LSS program. Further, modelling by Deloitte Access Economics demonstrated that investment in equity-based VET intervention programs (including case management support) provided economy-wide benefits through more completions and better employment outcomes.

Based on the initial success of LSS and research supporting the efficacy of case management interventions to increase outcomes from VET programs, ongoing funding was committed, with a 40 percent completion rate target.

The Commission supports the extension of LSS due to the economic value of increasing completion rates generally, and particularly among disadvantaged groups where training and employment outcomes are typically below the average.

However, the Commission is concerned that delivery hours per student are significantly lower than the amount for which they were funded. A review of the funding model may be warranted to test RTOs' behaviour and delivery capacity while maintaining flexibility in meeting student needs (and to ensure expenditure is used for service delivery).

Further evaluation of LSS identified that most participants undertake Certificate II level qualifications. Undoubtedly, fee-free training for particular qualifications under *Skills for All* funding arrangements has led to an influx of students who require support services. Consequently, additional staffing resources are needed to provide administrative support across institutions and increased awareness and practice of referring students to external agencies for assistance.

The Commission has received ample evidence to suggest that LSS referrals coupled with increased demand for student services have prompted institutions to employ external resources. Due to separate funding arrangements for LSS, traditional support services are more readily available to the broader student cohort. However, it is imperative to leverage internal institutional resources to ensure that the model is embedded into existing infrastructure. Moreover, LSS has the highest chance of success and is best supported by a dedicated case manager on an institutional basis.

Ideally, LSS should provide support to all *Skills for All* students who fit the LSS eligibility criteria, rather than through a targeted selection process. Moreover, LSS funding should allow for expansion (and contraction) as the priorities of the Department of State Development (DSD) relating to services shift over time without significant change to funding administration or operation. It is acknowledged that targeted selection is a short-term measure to ensure funding is utilised by RTOs that can demonstrate delivery capacity and adequate demand. However, LSS has not been embedded in the training system as fully or as originally intended by the Commission.

The Commission notes that LSS seems to work most effectively in institutions with a 'critical mass' of students. The Commission subscribes to the notion that the administration of LSS will most benefit from an overall extension to support more participants across fewer providers, including private RTOs.

### Building Family Opportunities (BFO)

Traditionally, South Australia has a high share of its child population (less than 15 years of age) living in jobless families, with family joblessness more likely to occur in outer metropolitan Local Government Areas (LGAs).

Since implementation in 2010, the Building Family Opportunities (BFO) program has assisted about 700 long-term jobless families comprising more than 2,000 individuals. The program, an initiative of the State Government's *Jobs and Skills Policy*, has largely supported single parent and Aboriginal families (30 percent) with dependents aged 24 years or less. BFO has enabled nearly 500 job seekers to enter or return to work and resulted in more than 800 training outcomes, with more than (55 percent) at Certificate III level.

In 2013, the Commission recommended that *'long-term, cross-departmental funding is supported to continue the Building Family Opportunities program throughout South Australia'*.

The Commission commends the South Australian Government for approving a \$2 million expansion of the BFO program to help as many as 350 long-term unemployed families. Uniting Care Wesley in conjunction with the Department of State Development (DSD) will concentrate program delivery in the Playford region where there is considerable social and economic disadvantage and many jobless families. Baptist Care in Hallett Cove was recently approved to deliver an extension of the program in Southern Adelaide, providing assistance to jobless families over the next 18 months.

It is the Commission's view that coordinated cross agency involvement and individualised case management (for up to 18 months) is pivotal to participants' successful progression towards social and economic independence. Evaluations undertaken by the National Institute of Labour Studies (NILS) and Deloitte Access Economics have highlighted the success of BFO, with 45 percent of jobseekers achieving education and training outcomes.

The Commission notes that in a tight fiscal environment, the BFO program represents a proven and cost-effective way to address the complex socio-economic issues associated with long-term intergenerational disadvantage and unemployment.

Deloitte's cost-benefit analysis of the program in November 2012 estimated that the net benefit to the South Australian economy of Government's \$6.8 million investment – through wage earnings of participants entering the workforce – at \$12.4 million over three (3) years of sustained employment, \$19.8 million over five (5) years, and \$36.3 million over ten (10) years. Clearly the economic benefit of ongoing employment significantly exceeds the cost of the BFO program. The Commission also notes that while difficult to quantify, improvements to the health, housing and the justice system stemming from economic benefits contribute to savings across Government expenditure.

The Commission acknowledges that BFO has provided valuable information in relation to community and government agency interaction. As a consequence, funding approaches and operational arrangements will continue to be refined to support program delivery.

While the model currently works across multiple agencies within government to ensure services are coordinated, the Commission believes that cross-departmental funding may better ensure the program's long-term sustainability. In addition, the Commission encourages the Department of State Development (DSD) to explore the possibility of additional investment to support regional delivery of BFO with Primary Industries and Regions SA (PIRSA).

### Recommendation 11:

Prioritise resources for the promotion of Adult Community Education (ACE) as a learning gateway to further education and training, volunteering and employment and greater participation in the community.

### Case Study 1 Adult Learner of the Year

Joseph Petrizza of Smithfield was recognised as South Australia's 2014 Adult Learner of the Year at the annual Adult Learners' Week awards on 28 August 2014. The awards celebrate students and educators who overcome social or economic barriers on the path to training and employment.

A father of two, Joseph has overcome significant personal and family barriers to complete training and gain full-time employment with BoysTown's Social Enterprise Program.

Joseph says a foundation skills course gave him a taste of learning and motivated him to continue further study. He enrolled in a night metalwork class and progressed to a woodworking program. On completion, Joseph enrolled in a carpentry program and again was a dedicated student.

'Education has been life-changing for me,' Joseph says. 'I've gained skills for employment and benefitted from strong male mentors, something I had never had.'

Joseph is now a proud father, full-time worker and productive contributor to society.

'That first course inspired me to pursue further study and full-time work,' Joseph says.

He continues to meet mentors at the Men's Shed and is eager to let others know how important learning is to creating a better life. Joseph is an excellent example of how learning can dramatically change a person's life.

### Case Study 2 Learner Support Services

Tom is 21 years old. In May 2013 he enrolled in two community services qualifications. He had significant learning issues, low self-esteem and during his second course-related work placement his partner died unexpectedly.

Tom was supported with a range of services included referral to specific LLN assessment and training, one-on-one study support, liaison with trainers in relation to training and work placements, personal counselling, liaison with Tom's employment services provider and referral to a grief and loss counsellor. Tom successfully completed his qualifications in May 2014.

Tom is working in the aged care sector. He told his Learner Support Services Case Manager, 'I'm on the road to success. Thank you so much for your support that I needed throughout my journey ... I would never have come this far without your help.'

### Case Study 3 Building Family Opportunities

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An Aboriginal couple family with five (5) dependent children commenced the Building Family Opportunities Program (BFO) in March 2012. The couple spent 21 months in the program.

The primary client completed his white card and bar and licensing course. He was working in Roxby Downs as a trade assistant with Red Mulga; however, he is currently not working due to shut down. He is registered with Salvation Army Employment Plus for additional support in upskilling and finding work. Salvation Army Employment Plus supported him to obtain his learner's permit. The Aboriginal Programs Unit in the Department of State Development (DSD) contributed \$500 towards his driving lessons.

His partner completed the Certificate III in Aboriginal Primary Health in April 2014. She is keen to undertake a Certificate IV in Aboriginal Primary Health, commencing in May 2014.

The family was referred to the Smith Family's 'Learning for Life' program for extra support with children's schooling. One of the children started school and another attended Kindergarten in 2014; the older three are attending school regularly.

The family is now independent with both adults having gained their driver's licenses. The couple is actively involved in the community, including participation in basketball and netball teams.

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## The Training and Skills Commission's 2014 Stakeholder Consultations

The Commission acknowledges that it must continue to consult with the stakeholders of the South Australian Tertiary Sector to ensure fair and balanced deliberations on workforce development issues and policy settings.

In 2014, the Training and Skills Commission deployed an expanded range of mechanisms to gather industry validation of the Commission's economic modelling and industry intelligence on the performance and development of the Vocational Education and Training (VET), Adult Community Education and Higher Education sectors.

Industry intelligence gathered through consultations has informed the policy discourse of this plan and the workforce development and future skills needs of industry.

The Commission's independent stakeholder engagement has extended to include enterprises, schools, industry associations, employee and employer bodies, Local and State Governments, community groups and training providers across both metropolitan and regional South Australia.

The Commission would like to thank the following organisations representatives for their participation and contributions in the consultations throughout 2014:

Academy IT Pty Ltd	Child Care Services Training	Federal Department of Employment
Accustom Consulting Pty Ltd	Chloes Restaurant	Festivals Adelaide
Adelaide Training and Employment Centre (ATEC)	CITB	Food, Tourism & Hospitality Industry Skills Advisory Council SA
AgriFood National Regional Initiative	City of Port Lincoln	Forestry SA
Allan Miller Driving School / Transport Training Solutions	Civil Contractors Federation	Fulcrum People Pty Ltd
Allstaff Training Consultants	Civil Train South Australia	Futuris Automotive
AMCA (Air Conditioning & Mechanical Contractors' Association)	Clip Joint Education	General Dynamics Land Systems - Australia
Ardrossan Foodland	Club and Hospitality Training Services	Genesee & Wyoming Australia Pty Ltd
ARO Educational Services Pty Ltd	College for Learning and Development	GM Holden Ltd
Arts Industry Council	Community Services and Health Industry Skills Council	Government Skills Australia
Athletics SA	Complete Personnel SA	Green Triangle Forest Products
Austar Port Lincoln	Construction Industry Training Board (CITB)	Group Training Australia (SA) INC
Australian Aerospace	Construction Industry Training Centre (CITC)	Heather Langton Academy of Beauty Therapy
Australian Bluegum Plantations Pty Ltd	D.O.M.E. Association Inc.	Hill Grove Resources
Australian College for Private Education and Training (ACPET)	Daronmont Technologies	Horse Safety Australia
Australian Institute of Fitness	Defence SA	Hospitality Group Training SA
Australian Institute of Social Relations	Defence Teaming Centre	Housing Industry Association
Australian Maritime and Fisheries Academy (AMFA)	Del Giorno's Café Restaurant	HV Motors
Australian Nursing and Midwifery Education Centre	Department of Communities and Social Inclusion	Ikon Institute of Australia
Australian Red Cross	Department of Education and Childhood Development	Independent Institute of Food Processing
Australian Tourism College and Recruitment Centre	DFEEST	Independent Supermarket Retailers Guild of SA
Australian Training Alliance Pty Ltd	DMITRE	Interskills
Babcock International Group - Marine & Technology Division	Downer EDI Works Pty Ltd	Interwork Ltd
BAE Systems	Drake Supermarkets	Into Training Australia Pty Ltd
Baptist Care (SA) Inc	Driving Industry Skills Centre Pty Ltd	Iron Road Limited
Barkuma Inc	DSD Eyre Peninsula	Iwantka Arts & Crafts, Indulkana, APY Lands
Barunga Village	DSD Yorke and Mid North	J & H Williams Holdings Pty Ltd
BRACE Education & Training	Education Services	Kadina Memorial High School
BTG Australiasia Pty Ltd	Employment Directorate Department of State Development	Kadina Preschool
Business SA	Enable College	Kaltjiti Arts, Fregon, APY Lands
Business SA	E-Oz Energy Skills Australia	Keith Daniels Homes
Career Employment Group (CEG)	Ernabella Arts Pukatja, APY Lands	Kiddywinks Childcare Centre
Carey Training Pty Ltd	Excel Training	Kinkawooka Mussels
Celtic Training	Eyre Futures	Learning Potential International Pty Ltd
	Eyre Peninsula Local Government Association	Lockheed Martin Australia Electronic Systems
		Locher Human Resources



Logging Investigation and Training Association

MADEC Employment and Training

MARC School of Management

Marden Senior College

MAS National

Mason College

Master Builders Association of South

Australia Inc

Master Builders Group Training Scheme

Maxima Group Inc.

Mint

Morgan & Hay Community Services

Training & Development Centre

MTA-SA

MTC Training

Myriad Training

National Disability Coordination

Officer Program

National Electrical Communication

Association (NECA SA)

National Meat Industry Training Advisory

Council Ltd

Natural Oysters

Natwide Personnel Pty Ltd

NF McDonnell & Sons

Nganampa Health Council Inc

North East Vocational College

Nova Group of Companies

Office of Recreation and Sport

OneFortyOne Plantations

Osmoflow

OZ Minerals

Pathways Training and Placements Pty

Ltd

PEER VEET

Plumbing Industry Association

Port Lincoln High School

Primary Industries Skills Council SA

PRIMO

Primo Small Goods

Quality Training and Hospitality College

RDA Career Services Kadina

RDA Economic Development

RDA Eyre Peninsula

RDA Yorke Peninsula

RDNS Your Health & Learning

Real Estate Institute

Recreation SA

Regional Anangu Services Aboriginal

Corporation (RASCA)

Regional Development Australia Yorke

and Mid North - Kadina Office

Regional Skills Training

Resources and Engineering Skills Alliance

South Australia

Rex Minerals

Royal Life Saving SA

SA Aquatics and Leisure Centre

SA Council of Social Services

SA Power Networks

SA Water

Saab Systems Pty Ltd

SAGE

Santos

Scott Transport

Scouts

Service Skills SA

Shelter SA

Shop Distributive & Allied

Employees Association

Singapore Workforce

Development Agency

Skills Training and Apprenticeships,

AMWU

South Australian Chamber of

Mines and Energy (SACOME)

South Australian Multicultural and Ethnic

Affairs Commission (SAMEAC)

Southern Waters Marine Products Pty Ltd

Sports SA

Tabeel Trading/Chairman of SE Log

Hauliers Association

TABMA Workforce & Career

Development Pty Ltd

TAFE SA – Adelaide

TAFE SA Educational Management,

APY Lands

TAFE SA Learning Centre, Indulkana,

APY Lands

TAFE SA Learning Centre, Fregon,

APY Lands

TAFE SA Learning Centre, Ernabella,

APY Lands

TAFE SA – Kadina

TAFE SA – Port Lincoln

TAFE SA Regional

TAPS (Trainee & Apprentice

Placement Services Inc.)

The Open Access College

The Pharmacy Guild of Australia

The Salvation Army Employment Plus

The University of Adelaide

Toyoda Gosei

Training Prospects

Transport and Training Distribution SA

Transport Workers Union (TWU)

SA/NT Branch

TRG Transport Pty Ltd

Uniting Care Wesley Country SA Inc

Viterra

VTECH Automotive Training

Water Industry Alliance

West Coast Home Care

West Coast Youth and Community

Support Inc

Wildcatch Fisheries SA

Wilderness Escape

Workforce Training and Assessment

Worklink

ZF Lemforder

## Reference Index

Aboriginal/Indigenous	59, 67
Adaptive Capacity	58
Adult and Community Education (ACE)	9, 56, 61-62, 65
Apprentice and Trainee	8, 39-40, 45, 47
Australian Bureau of Statistics (ABS)	11, 19-20
Australian Qualifications Framework (AQF)	55
Australian Workforce Productivity Agency (AWPA)	11, 19, 58
Building Family Opportunities (BFO)	64, 65, 67
Capacity Management	8-9, 28-36, 39
Commonwealth Government	26, 40, 56-60
Council of Australian Governments (COAG)	58-59
Department of State Development (DSD)	9, 27, 35, 43-45, 48, 65
Disability	56, 58, 64
Funded Training List (FTL)	8, 9, 29-31, 37, 41
Group Training Organisations (GTO's)	47-48
Language, Literacy and Numeracy (LLN)	43, 62-63
Learner Support Services (LSS)	62, 64
Minister for Employment, Higher Education and Skills	9, 50, 61
National Disability Insurance Scheme (NDIS)	58
National Centre for Vocational Education Research (NCVER)	29, 39, 43
Private Provider	41, 49
Public Provider	9, 27, 31, 49-51
Qualification-Linked Occupations	19-25
Registered Training Organisation (RTO)	5, 9, 29, 31-37, 45, 56, 64
South Australia Certificate of Education (SACE)	9, 45, 46
Student	9, 15, 28-29, 30, 32, 39, 41, 43-46, 55, 57, 60, 63-64
TAFE SA	9, 27, 31-32, 41, 49-51
University	26
VET FEE-HELP	56
VET for School Enrolled Students	9, 45-47



Government of South Australia

Training and Skills Commission

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The information contained in the plan is provided in good faith and all reasonable care has been taken in its preparation. The Training and Skills Commission recommends users exercise care in interpreting this plan and carefully evaluate the relevance of the material for their purpose and where necessary obtain appropriate advice specific to their particular circumstances.

This plan can be accessed electronically at [www.tasc.sa.gov.au](http://www.tasc.sa.gov.au)

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