In this attachment Master Builders provides input directly to the Productivity Commission's information requests and recommendations, reference our submission paper where appropriate.

PC INFO REQUEST: ROLE OF COMPETITION IN VET MARKET

- What role should competition play in meeting users' needs
- How should efficiency be measured?
- What is the role of public providers, and why?
- Are additional protection arrangements required?

MBA comments

In **section 4.2 of our submission** we discuss the need for stability in intra-state funding and competitive neutrality in contestable markets, whilst noting the essential role of public providers in the provision of training in thin markets. We also acknowledge that safeguards may be required and discuss the Tasmanian 'endorsed RTO' approach.

PC REC 2.1 — INFO ON VET SYSTEM PERFORMANCE

Governments should develop improved performance measures to provide a more complete picture of system performance, including: total VET activity, contribution of VET to developing the foundation skills, skills obtained through the VET system when students do not complete a course, and students' longer-term labour market outcomes.

MBA comments

In section 3.2 of our submission, Choosing a training provider, we identify that a current information gap is the provision of independent information on the quality of training providers. We suggest the MySkills platform be expanded to include information about training provider quality such as completion rates using a range of existing independent data, for example, the Unique Student Identifier database.

PC INFO REQUEST – CAREER GUIDANCE FOR STUDENTS

What changes could be made to ensure school students have appropriate career information and advice?

MBA comments

In section 3.2 of our submission, we discuss the bias toward university pathways and the need to address this, particularly given that VET trade completers are more satisfied with their training, more likely to be employed and earn higher starting wages. Ultimately, we call on governments to enter a new National Partnership Agreement on Quality Careers Education to ensure students receive comprehensive, unbiased and up-to-date careers education.

In addition, further information on our views to improve careers education for school students can be found in our submission to the <u>COAG Education Council Review of Senior Secondary Pathways</u>

PC REC 2.2: A NEW PRINCIPLES-BASED AGREEMENT

Governments should negotiate a new, principles-based agreement that commits governments to develop an efficient, competitive market driven by the informed student and employer choices.

MBA comments

Master Builders is supportive of an agreement underpinned by well-founded and well considered principles. However, this provides no assurance that the issues currently faced will be addressed and resolved. It will be important that in a new agreement the Commonwealth use the levers ensure to ensure states adhere to the principles and key reforms that are needed.

A new Agreement needs to specify the funding contribution of all parties; fund courses based on the efficient price and competitive neutrality, require publicly available annual funding reports and remove overlapping and joint roles and responsibilities.

PC INFO REQUEST — DESIGNING A NEW AGREEMENT

If a new principles-based agreement was negotiated in line with interim recommendation 2.2:

- how should it consider other educational sectors, informal training and non-gov funded training?
- what other reforms would improve accountability and best complement an agreement?

MBA comments

Publicly available information on RTO quality and performance is required to improve accountability. We discuss these ideas in **section 3.2 of our submission**. Courses delivered across education sectors need equal treatment for funding, subsidies, access to loans and quality of training and assessment.

- AQF I, II, and III are delivered in secondary school & VET
- AQF V and VI are delivered in VET and higher education

INFO REQUEST — IDENTIFYING SKILLS SHORTAGES

- What are useful ways of defining and measuring skills shortages (and surpluses) relevant to the VET?
- 2. What factors cause persistent shortages of skilled workers, despite ongoing government support?
- 3. Are skills forecasts based on future growth useful/reliable as a basis for providing course subsidies?
- 4. When do skills shortages justify course and employer subsidies and at what level of granularity?

MBA comments

Subsidies in areas with skills shortages need to be additional to base funding for VET in recognition that the objective for government funding in education is far broader than this.

Frequently changing subsidy levels in VET creates uncertainty. There is not this volatility in higher education subsidies. Opportunities to better align the approach to subsidies across vocational and higher education should be looked into.

Master Builders views on identifying skills needs are available in our submission to the Review of the Australian

Apprenticeship National Skills Needs List.

PC OPTION 6.1 MORE CONSISTENT COURSE SUBSIDIES

Governments should consider:

- adopting a nationally consistent set of course subsidies, based on the efficient cost of delivery for groups of courses, with loadings for some locations and student groups (as in the Joyce Review); or
- simplifying the number of subsidy rates for courses but otherwise leaving states to set their own subsidy rates.

MBA comments

On 26 May in his National Press Club address that the Prime Minister when discussing VET funding highlighted the national hospitals agreement as a good model for national efficient pricing and activity-based funding.

We note that the National Skills Commission has been tasked with looking at subsidy levels and efficient pricing and if a suitably robust model is developed this could form the basis of funding provision under a new funding agreement.

More importantly, an evidence-based transparent methodology is needed for the determination of subsidy rates, and access to subsidies in competitive markets needs to be fully contestable, as we discuss in **sections 4.2 and 4.3 of our submission**.

PC INFO REQUEST: SIMPLIFY SUBSIDY GROUPINGS

In judging the relative merits of alternatives:

- 1. how should subsidy groupings be simplified?
- 2. what criteria should be used to bundle courses and set subsidy rates?
- 3. what are the trade-offs between simplicity and the reduced discretion

MBA comments

In **section 4.3 of our submission** we discuss efficient pricing and the factors the National Skills Commission will need consider in looking at this. For example, the mode of delivery (face to face or online); materials and space requirements; treatment of RPL; and location and disadvantage loadings.

PC REC 6.1 — COMMON METHODS FOR COSTING

State and Territory governments should use common methods to measure costs and determine loadings.

MBA comments

Agree. This is key to ensuring that Commonwealth funding to the states and territories represents comparable value for money in different jurisdictions.

The National Skills Commission has been tasked with looking at methodology around course costs, subsidies and loadings. We discussion this in **section 4.3 or our submission**.

OPTION 6.2 —ASSESSING SKILLS SHORTAGES

Governments consider consistent approaches to the determining skills shortages, cognisant of local labour markets, with this done by the NSC

MBA comments

Agree. Master Builders views on identifying skills needs are available in our submission to the <u>Review of the Australian</u> Apprenticeship National Skills Needs List.

OPTION 6.3: SUPPLIER TO CUSTOMER SUBSIDIES

Governments could consider re-configuring subsidies paid to RTOs as student vouchers, with the voucher value depending on the method used to calculate subsidies as specified in option 6.1.

PC INFO REQUEST — IMPACTS OF VOUCHERS

In judging option 6.3:

- how would vouchers be provided for courses with capped places?
- what impacts would vouchers have on competition?
- what are the risks of vouchers?

MBA comments

We see this as further complicating and already complicated system without a sound benefit.

Addressing the lack of competitive neutrality in contestable markets will level the playing field (see **section 4.2**) and providing publicly available independent information on the quality of training providers will enable consumers to make informed decisions (see **section 3.2 of our submission**).

OPTION 6.4 —INCOME CONTINGENT LOANS

Governments should consider VSL for a wider range of qualifications to support user choice and participation. Widening access to loans should largely maintain existing regulations that reduce risks. But could also include a 'black list' of ineligible courses, a transition path to a less-restrictive system, testing risks as caps and restrictions are lifted, and reducing the repayment thresholds

INFO REQUEST —EXPANDING THE LOANS SCHEME

If VSL were expanded in line with option 6.4:

- 1. how much and where should restrictions be eased?
- what are costs and benefits of: removing course list restrictions? expanding the VSL scheme to Certificatequalifications? re-orienting Australian Government from a direct funder of VET to an issuer of income contingent loans to students in nationally recognised training programs? changing the loan caps?
- 3. If 2c happens what would be the responsibilities and roles of the Aus and State govs?
- 4. which parts of the VSL administration and reporting requirements are most burdensome?
- 5. what aspects of a system architecture and settings may be needed to reduce risks, assure quality and support a well-functioning market, including consideration of 'black lists', repayment thresholds, and recovery of unpaid debt from deceased estates?

MBA comments

Master Builders does not object to this in-principle. However, we hold concerns that over-time this will lead to cost shifting from governments to students.

Should expansion of VET Student Loan eligibility be considered we feel it would be appropriate for eligibility to be linked to the lowest AQF level that leads to a skilled occupational outcome, i.e. AQF level 3.

We do not support re-orienting the role of the Commonwealth from funding VET to lending funds to students. This is cost shifting.

In regard to system architecture to reduce risks, publicly available and independent information on the quality of training providers is required so that consumers can make informed decisions (see **section 3.2 of our submission** for more information).

loan repayment thresholds should be the same across both VET and higher education so as not to create distortions.

REC 6.2: PRICE CONTROLS SHOULD BE REMOVED

Governments should not cap the prices of VET courses.

MBA comments

In-principle agree. However, before this could be implemented publicly available and independent information about the quality of training providers is needed. Without this, students/parents/ employers may assume that a higher price means better training which could lead to adverse outcomes. We discuss this further in **section 3.2 of our submission**.

OPTION 6.5: SUPPORTING TRADE APPRENTICESHIPS

Given the apparently poor effectiveness of employer incentives, governments could consider:

- addressing barriers to hiring apprentices, including foundational skills, work readiness and the minimum wages and award conditions
- reintroducing (better-designed) industry levies.

MBA comments

Master Builders does not agree with the assertion that employer incentives are ineffective. Rather, employer incentives are critical. See **section 4.4 of our submission.**

Initiatives to improve foundation skills and work-readiness are required. In **sections 3.2 and 3.3 of our submission** we discuss apprentice recruitment, retention and completion, identifying concerns and looking at options including:

- better careers information and education
- development of a work-readiness assessment tool
- greater recognition and support for GTOs
- support for first time employers of apprentices.

INFO REQ: IMPLEMENTING NEW SUPPORT ARRANGEMENTS FOR TRADE APPRENTICESHIPS

In assessing the merits of option 6.5:

- does the nature and size of the 'apprenticeship problem' merit new policy measures?
- how significant is 'poaching'?
- how effective are levies at increasing apprentices?
- are there other reasons for using industry levies?
- how would the problems of administrative complexity for some existing levies be addressed?

MBA comments

There are construction training levies in a number of states and territories. While the threshold and levy amounts vary between jurisdictions, anecdotal feedback consistently agrees that they work effectively and are well supported. We are not aware of poaching being a significant issue in jurisdictions with or without training levies.

The existence or not of an industry training levy should not impact government subsidies.

OPTION 7.1: COORDINATE AND STREAMLINE INFORMATION ON APPRENTICESHIP INCENTIVES

Governments should consider:

- 1. tasking AASNs to assist employers determine their eligibility for Commonwealth and state incentives
- 2. publishing clearer info on incentive payments that employers in each jurisdiction may be eligible for
- 3. strictly delineating the roles and responsibilities for managing apprenticeship supports.

INFO REQUEST: ASSESSING STREAMLINING OPTIONS

In assessing the policy alternatives in option 7.1:

- what are their relative costs and benefits?
- are there other ways to encourage governments to streamline employer incentive programs?

MBA comments

Anecdotal feedback is that AASNs are inadequately funded for the work they do resulting in either a limited scope of assistance or poor quality.

Coordinated and streamlined information, not only on apprentice subsidies, is desperately needed. Governments need to realise there is no such thing as a one-stop-shop and instead need to focus on a single point of data entry.

There is a need for a single platform where the Commonwealth, states, training funds, etc. can enter and update incentive information. This information could then be electronically accessible by governments, associations, employment providers, etc. so everyone's information is coming from the same place. For example, the Australian Tourism Data Warehouse.

OPTION 7.2: STREAMLINE INCENTIVES

In considering how to streamline trade apprenticeship incentives, the Australian Government could consider extending eligibility for trade apprenticeship incentives to all workers, regardless of their tenure with the employer.

MBA comments

Master Builders is supportive of extending eligibility to trade apprentice incentives to all workers. At present very few existing workers undertake apprenticeships.

Currently, apprentice wages in comparison to labourers are a barrier to existing workers undertaking an apprenticeship. With the right incentives at the right times, this barrier could be overcome.

INFO REQUEST: EMPLOYER INCENTIVES TARGETING DISADVANTAGED GROUPS

What are the benefits and costs of targeting disadvantaged groups for additional incentives at the Certificate II, and Certificate III and above qualification levels?

MBA comments

With good policy design and effective implementation additional incentives targeting disadvantaged groups could deliver significant productivity gains.

However, there are also significant challenges that need to be acknowledged, including: foundation skills and work readiness, as well as other barriers to education and employment. As discussed in **section 3.2 of our submission**, the development of a work-readiness assessment tool and subsidised support for those requiring additional support would be beneficial.

OPTION 7.3 — IMPROVING THE AASN

The Australian Government could improve AASNs by:

- publishing more on AASN scope of services
- evaluating the AASN contracts to assess the impact of efficiency of service provision and outcomes for users
- cooperating with States to jointly contract AASN

MBA comments

INFO REQUEST: AASN SERVICE DELIVERY

In assessing the three options in option 7.3:

- what types of information could the Commonwealth provide to help States plan their service delivery?
- what is the effectiveness of the joint model in the NT and the feasibility of this model to other states?

MBA comments

Feedback from Master Builders NT is positive about the AASN joint contracting model.

REC 7.1: TRAINING PACKAGE UPDATES / APPROVALS

Current reforms to streamline the development and update of training content should address concerns. To further improve timeliness, the COAG Skills Council should consider delegating to IRCs the power to:

- commission training package updates for industryagreed change to work standards or technology
- approve straightforward, non-controversial or minor changes to training packages.

MBA comments

Master Builders is a representative of the Construction IRC. IRCs are already able to approve straightforward, non-controversial or minor changes to training packages and units of competency.

In regard to commissioning updates, we note that there is typically funding assigned to the SSO as part of the update process. If IRCs were given the authority to commission work up to a certain value threshold (relative to the size and scope of the IRC) then we would be supportive of IRCs having this power/responsibility.

INFO REQUEST: FLEXIBILITY FOR TRAINING PACKAGES

How could the approach to developing training packages more effectively manage the trade-offs between consistency and flexibility?

MBA comments

Managing these trade-offs in industry sectors where training, industrial relations and licensing are linked – such as construction – is an ongoing challenge.

REC 7.2: QUALITY REGULATION

Vic and WA should follow other governments in referring regulation of training organisations to ASQA. To start ASQA, Vic and WA regulators should address stakeholders' concerns about inconsistencies and overlap in requirements between regulators, including different interpretations of regulatory standards.

MBA comments

Master Builders is support of a single national regulator.
Although, we note that achieving this – as several reviews have recommended – is more difficult in practice than on paper.
This links not only to the audits, but also to course accreditation, for which the national system could be mistaken as a snail.
Not being part of the national system provides Victoria and WA with the flexibility to develop, consult, approve and get a training course on an RTO scope of work within 8-10 months. Anecdotal

Supporting students

REC 7.3: IMPROVING THE PROVISION OF VET INFO

The National Careers Institute should extend its work on information provision to fill gaps in course prices, subsidies and RTO quality, and test that information is salient to students, trusted, used and interpreted correctly.

Governments should work together to establish the Institute as a central information hub.

MBA comments

Master Builders is supportive of the need for better publicly available information on training courses, including prices, subsidies, duration, and training provider quality. However, the central information hub idea needs to be rethought.

feedback is not supportive of losing this flexibility.

While the National Careers Institute has an objective to be a 'single, authoritative source of careers information' this is unrealistically. Each state and territory will continue to have their own careers information, as will schools, employment providers, industry bodies, etc.

A single point of data entry in needed, with input then digitally disseminated to the stakeholders and websites. For example, the Australian Tourism Data Warehouse.

INFO REQUEST: PATHWAYS AND TRANSITIONS

The Commission seeks evidence on:

- the usefulness of VET in schools in developing workready skills
- what can be done to improve students' awareness of credit entitlements between the VET and HE
- the extent that time-consuming processes for credit and RPL are a barrier to students applying for credit
- the effectiveness of programs and services that assist groups to move from education to employment (such as Jobs PaTH, Transitions to Work and jobactive)
- whether there are gaps in government initiatives aimed at improving students' workplace-ready skills and, more broadly, transitions from education to employment.

MBA comments

Master Builders is aware of employer frustrations with VET in school and the unanticipated employment barrier this can create for young people that have undertaken VET in School. The challenges relate to industrial relations and competency based wage progression when a VET in school completer without industry or site experience is required to be employed and paid as a 2nd apprentice when they are neither work-ready nor in possession of the technical skills expected of a second year apprentice. We discuss this further in our submission to the COAG Education Council Review of Senior Secondary Pathways.

There is currently no robust system of credit transfer between VET and higher education, each higher education provider determines which VET courses and providers they are going to recognise and what level of credit will be granted. Nationally agreed credit arrangements between VET and higher education would simplify the situation.

The rigour with which RPL is assessed varies significantly between training providers and this is something which needs closer examination by ASQA.

In regard to gaps aimed at improving work-readiness, we note that funding for pre-apprenticeships varies between jurisdictions. We discuss the development of a work-readiness assessment tool in section 3.2 of our submission.

OPTION 6.6: PASTORAL, MENTORING AND UPFRONT ASSESSMENT SERVICES

Governments could expand mentoring and pastoral services for VET students, including for apprentices. Governments should also consider the wider uptake of tools for the upfront assessment of student needs, as used by the SA gov, to determine students' suitability for their chosen course and their support needs.

MBA comments

In **section 3.3 of our submission** we discuss GTOs noting that a key advantage of GTOs is the support and mentoring they offer. This is particularly important given GTO apprentices are typically younger and more likely to be disadvantaged than those directly employed.

Assessment of foundation skills and work-readiness prior to commencing an apprenticeship is also vital. Apprentices that are not work-ready are less likely to complete their apprenticeship. In section 3.2 of our submission we discuss the development of a work-readiness assessment tool

INFO REQUEST: MENTORING AND PASTORAL SUPPORT

How should pastoral and mentoring services be funded, delivered and designed, taking into account the continuity of funding, scale, and effectiveness in improving outcomes for students? Priority target groups?

MBA comments

Funding should be available to pilot initiatives aimed at improving pastoral care and mentoring with the most successful initiatives adopted and provided long term funding.

Training on pastoral care and mental health could be incorporated into the Cert IV Training and Assessment.

First time employers of students such as apprentices, should be given support to understand their role and how they can best support their apprentice.

Additionally, there are industry sector support services, e.g. Mates in Construction, which could be provided funding to support apprentices and students undertaking relevant qualifications.

REC 6.3: IMPROVING INVESTMENT IN PUBLIC

In funding publicly-owned VET providers, States should:

- adopt the principle of transparent disclosure in interim recommendation 2.2
- ensure competitive neutrality compliance
- assess efficiency and effectiveness of investments
- undertake market testing or other options to increase the contestability of existing obligations.

MBA comments

We discuss the need for competitive neutrality in contestable markets in **section 4.2 of our submission**, as well as the important role public providers have in the provision of training in thin markets.

INFO REQUEST: INVESTMENT IN PUBLIC PROVISION

In feedback on interim recommendation 6.3, the Commission requests information on:

- the funding, monitoring and outcomes delivered under community service obligations
- any changes to funding models that governments should undertake to address competitive neutrality
- the funding mechanism best suited to efficient and effective service delivery in 'thin markets'
- how funding to promote national consistency should incorporate any funding to public providers, if at all.

MBA comments

In thin markets, public training providers are essential to ensure equitable access to affordable training.

In contestable markets, all funding for VET delivery should be contestable and distributed based on activity, regardless of the training provider. We discuss this in **section 4.2 of our submission.**

INFO REQUEST: THE CHALLENGES OF ONLINE DELIVERY

- 1. What is the scope to increase the use of fully online delivery of VET, with what advantages, risks and policy challenges?
- 2. How should subsidy arrangements be configured for payments across jurisdictions for online delivery of services?
- 3. What subsidy, pricing and costing approaches are appropriate for services that have high fixed costs and low incremental costs?
- 4. To what degree could accreditation be separated from training?
- 5. What types of training are most suited to innovative models of training?
- 6. What actions would governments need to take to maximise the potential for the adoption of innovative delivery of training or new types of training?

MBA comments

Online learning during COVID-19 has worked better than expected in many instances (regional/remote and apprentices). However, fully online is not appropriate for practical training.

Training providers should have flexibility to provide training online, where appropriate, e.g. a hybrid allowing for own time learning; online discussions and learning; and face-to-face practical training.

If online training is expanded it will be important to ensure there is quality and trust in assessment processes, especially for courses that are delivered fully online.

On <u>delivery subsidy arrangements</u>, the NSC in looking at efficient pricing and subsidies should be mindful of digital delivery and incorporate this into its research, analysis and recommendations. We look at this further in **section 4.3 of our submission**.

There is merit in looking at the separation of training and assessment/accreditation. Key questions include who can assess competency and how will this be funded? A key benefit of independent assessment, especially if it is proficiency based is the collection of data on the quality of training and training providers.

Construction training is suitable to test <u>innovative models of training</u> and assessment. A construction skills organisation could be established to pilot both standardised assessment and independent assessment. Construction is well placed for this as several qualifications have just been updated, meaning it is timely to also develop and roll out resources for assessment tools.

Skills organisations are currently being used to pilot a range of projects and the PM is keen to establish more pilots. Funding for SOs could be directed toward pilot projects that target innovative training delivery.

INFO REQUEST: IMPACTS OF COVID-19

What, if any, are the likely medium and long-term impacts of the COVID-19 pandemic on skill formation and the market in the VET sector?

To the extent that some cohorts face enduring displacement from the labour market, particularly younger Australians, what role beyond current arrangements should VET play in augmenting their skills and employability?

MBA comments

Apprenticeship enrolments and completions were struggling pre-COVID-19. Retention and new starts in 2020 is anticipated to contract due to COVID-19.

This is particularly concerning for the future of construction trades as an apprenticeship is the key pathway to trade occupations. This may exacerbate skills shortages in the medium and longer term.

Apprenticeship incentives will likely play a key role in encouraging greater participation. Employer incentives should be front loaded to encourage hiring and apprentice incentives back loaded to encourage completion.

Providing funding and incentives for pre-apprenticeships and individual units of competency will allow workers to up/reskill more quickly and to become work ready.