



Minister for Employment and Small Business
Minister for Training and Skills Development

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Mr Jonathan Coppel and Mr Malcolm Roberts
Commissioners
Productivity Commission
Email: skills.workforce.agreement@pc.gov.au

Dear Messrs Coppel and Roberts

Thank you for the opportunity to make comment on the Productivity Commission's issues paper '*Skills and Workforce Development Agreement*'. As a signatory to the National Agreement for Skills and Workforce Development (NASWD) and a shareholder of the national vocational education and training (VET) system, the Queensland Government has significant interest in this review and looks forward to working closely with the Productivity Commission as the review progresses.

As you are aware, Queensland has a strong and vibrant VET sector with success in outcomes such as student participation (Queensland has one of the highest VET participation rates in Australia at 27.2%) and retention, graduation rates, and employment destinations. Just over 87% of Queensland VET students report satisfaction with their training overall, which is equal to the national satisfaction rate, and employer satisfaction with training in Queensland remains high at 81%. Our skills and training investment supports individuals and job creation across the state through localised responses, facilitating better matching between jobseekers and local employment opportunities, and enabling industry to access skilled individuals.

Current training arrangements in Queensland support business innovation and create responsive outcomes that support economic development at the local and regional level. Our focus also includes ensuring there is access to high-quality and affordable VET throughout Queensland. The Queensland Government is already cutting costs for VET students through our free TAFE for Year 12 graduates initiative, free apprenticeships for under 21s and Skills Boost Programs. These programs are what we need in our state to ensure we can grow our skilled workforce and equip them for the jobs of the future. It is important to note that our state subsidised training complements Queensland's healthy fee-for-service market. Further information on these key Queensland initiatives can be found online at <https://desbt.qld.gov.au/>.

I am also proud that Queensland leads the nation when it comes to engaging school students in VET. Close to half of the nation's school-based apprentices and trainees are in Queensland and more than 50% of all secondary school students are undertaking VET.

With a long history of fiscally responsible skills investment, the Queensland settings deliver genuine results by offering affordable and attractive options for prospective students, including apprentices and trainees, students, employers and businesses.

As we diversify and grow our economy, we know that the skills system must evolve to align with job opportunities and support individuals to adapt, reskill and upskill. Our skills strategy *Skills for Queensland – Great training for quality jobs* focusses on future proofing our skills system, better meeting industry demand and driving up confidence in the sector.

As co-owners of the national training system, I would like to express my strong desire to have arrangements in place that provide funding certainty for Queensland, share financial risk and allow Queensland to appropriately manage its skills and training budget. The NASWD is worth approximately \$300 million annually to Queensland in untied funding, providing stability to Queensland's fiscal position and enabling us to be responsive in allocating funding to meet the needs of industry and students, including directing funding to where it is needed most.

It is critical that the role of the state, as the majority funder of VET, is not encroached upon, particularly in relation to pricing and subsidy setting. I have previously stated my preference for state-based funding arrangements to Senator the Honourable Michaelia Cash, Minister for Employment, Skills, Small and Family Business. States and territories fundamentally require flexibility in their funding efforts and should not be exposed to onerous conditions and input controls that are contrary to the principles of the Intergovernmental Agreement on Federal Financial Relations (IGAFFR) and that may potentially unfairly disadvantage states and territories.

While Queensland understands there is an opportunity for a new overarching agreement, this should not impact on the state's sovereignty or place budget restraints and financial burden or risk on the state. As such, any future funding agreement should be in line with the principles of the IGAFFR. Federal financial relations concepts work when states and territories have the ability to implement local responses and manage their own VET market. It will be critical that any future funding agreements do not affect the availability of training places for Queenslanders and all Australians more broadly.

I am pleased to see the Review will consider options to promote consistency in funding and loan arrangements between the VET and higher education sectors. I have been advocating for parity between VET and higher education loan schemes for some time and I am delighted the Australian Government agreed to review the VET Student Loans scheme at a recent Skills Ministers meeting.

I note the review focuses on six points but my main reservation with the review is that it extends beyond the NASWD itself and includes potential developments that have not as yet been agreed, such as achieving consistency in the funding and pricing of VET across jurisdictions. It is understood that the National Skills Commission (NSC) has been also tasked with exploring pricing of VET and it is suggested this work more appropriately sits with the NSC, noting the role of the NSC is yet to be finalised.

A holistic and coordinated approach to funding and reform will maximise the opportunities before us and build on the successes we have already achieved to date, both nationally and at the state and territory level. It sends a clear message that I believe users of and those in the VET system

are seeking, in that governments are working together to support a simpler and streamlined VET system.

I understand the Productivity Commission has met previously with senior executives from the Department of Employment, Small Business and Training in Queensland and I would encourage you to continue to work with the Department to access relevant information.

This letter provides my high-level views on the NASWD review. The Queensland Government will be providing a more detailed submission to the Productivity Commission once the interim report is released in March 2020, and welcomes the opportunity to work closely with the Productivity Commission throughout the review process to ensure strong evidence-based recommendations can be made.

Should you require any further information, I invite you to contact my Chief of Staff, Ms Laura Fraser Hardy

I appreciate the efforts of the Productivity Commission in releasing the issues paper and seeking input from a broad range of interested stakeholders. I look forward to receiving the interim report in March 2020 and ultimately the final report later in that year, and I encourage you to continue to engage the COAG Skills Council throughout the process.

Yours sincerely

Shannon Fentiman MP

Minister for Employment and Small Business
Minister for Training and Skills Development

Cc: The Honourable Anastacia Palaszczyk MP, Premier and Minister for Trade
The Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships