



HOUSING INDUSTRY ASSOCIATION



Housing Australians



Prepared for
Department of Prime Minister and Cabinet

Review of Australia's VET Sector

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ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the industry, HIA represents a membership of 60,000 businesses throughout Australia. The residential building industry includes land development, detached home construction, home renovations, low/medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diversity of residential builders, including the Housing 100 volume builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers and consultants to the industry. HIA members construct over 85 per cent of the nation's new building stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

"Promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into the manufacturing, supply and retail sectors.

The aggregate residential industry contribution to the Australian economy is over \$150 billion per annum, with over one million employees in building and construction, tens of thousands of small businesses, and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots' process that starts with local and regional committees before progressing to the Association's National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The Association operates offices in 23 centres around the nation providing a wide range of advocacy and business support including services and products to members, technical and compliance advice, training services, contracts, stationary and industry awards for excellence.

1. INTRODUCTION

1.1 Scope of the Review

HIA welcomes the opportunity to provide comments to the Expert review of Australia's Vocational Education and Training (VET) system.

The review announced by the Department of Prime Minister and Cabinet focuses on how the Australian Government's investment in VET could be more effective to provide Australians with the skills they need to be successful throughout their working life.

It is regrettable that the timeframe of this review is so short in the context of the complexities of the VET sector and the challenges it consequently faces. HIA has deliberately kept this submission relatively short. HIA is confident that in due course a longer timeframe and more comprehensive research and consultation framework will be undertaken.

The importance of the VET sector to Australia

A healthy VET sector is integral to the economic and social success of Australia. Through attracting students who have high potential yet no appetite to pursue tertiary education the VET sector has the capacity to boost Australia's productivity growth. By focussing on the ability of the VET framework to partner hosts/employers together with trainees/apprentices who are learning on the job, Australia's economic growth is enhanced.

Since the 1980's VET programs have increased by 500 per cent, compared to an increase in university enrolments of 250 per cent. Yet there continues to be a policy and funding bias towards university-based tertiary education.

Funding for Australia's VET sector is inadequate. Both the level and composition of resources directed to the VET sector is lower than is justifiable relative to that afforded Australia's tertiary education sector and schools sector. Australia's workforce into the future will fail to meet economic and community demands unless this asymmetry is addressed.

This asymmetry needs to be addressed in a specific rather than an aggregated manner. The overriding benefit of the VET sector is the skills, education, training and life experience that vocational education and training can provide. This occurs if the focus is on creating a bond between host/employer and apprentice/trainee – that is the vital component to any successful VET framework as envisaged by this Review. The importance of that nexus has been lost in recent years due to a disproportionate focus on institutional-based VET courses. This imbalance needs to be redressed.

The VET sector's performance and areas of key focus

It is important to recognise that Australia's VET sector is performing reasonably well overall. The system is not broken and consequently there is no requirement to 'fix it'.

The National Centre for Vocational and Education Research (NCVER), conducts an annual survey.¹ The latest survey revealed that 87 per cent of graduates and over 90 per cent of students were satisfied with the quality of their training.

That is not to say there isn't considerable room for improvement to Australia's VET sector. The asymmetry in funding that works against the VET sector is a case in point. Within the VET sector there is unnecessary duplication of financing across Federal/State boundaries and partly as a result of that, there are gaps in funding requirements. The first point below is one example.

In the HIA's view there are five core aspects that require attention:

- **The original basis and success of Australia's VET system comes from the nation's construction industry.** There is a contemporary focus on workers transitioning from standard manufacturing to more advanced technologies by training in areas such as STEM and ICT. It is important to still afford Australia's construction industry the appropriate focus and resources within the VET system. At the end of the day all hand-made occupations –

¹ This survey is conducted on behalf of the Australian, state and territory governments. The survey covers students who completed a qualification or subject with a VET provider.

bricklaying, for example, within the VET sector still need skilled labour with the on the ground experience to build or renovate a home. This requirement of support for a core and fundamental industry is not being adequately met and is an example of a gap in appropriate funding.

This situation is also reflective of a deeper issue where there is an instability in the allocation of resources to VET programs where over a period of years there tends to be an inconsistency to funding outcomes.

- **A successful VET sector is underpinned by a strong and dynamic relationship between an apprentice/trainee and a host/employer.** Successful Group Training Organisations (GTO's) operating in the residential building industry provide an example over many decades of the integral role that relationships play in producing skilled labour who gain access to multiple career opportunities when they graduate. In recent years there has unfortunately been a disproportionate focus on institutional based training which has undermined the core basis of a successful VET program - a binding employer/'employee' contract which is fundamentally based on 'learning on the job' experience.

This asymmetry is reflected in a funding bias against GTO's within the VET system. Given the experience and success of reputable GTO's this is clearly an inefficient allocation of resources.

- **Funding of the VET sector needs to be more transparent in terms of federal and state/territory allocations of funds; and funding should be outcome-based.** In recent decades a clear bias has developed in the public mind that a tertiary education is superior to a qualification earned through vocational education. This asymmetry is reflected in the allocation of government funding. The VET sector is inadequately funded and resourced relative to both the tertiary sector and the school system. For example, public funding for the VET sector, in terms of shared contributions between federal and state/territory governments has been falling since 2013.
- **There are a lack of resources allocated to assisting Australia's youth transition from school to a trade-based career path.** There needs to be a specific policy developed to encourage and nurture the considerable number of youths who want to take up an opportunity to embrace a career outside of school education without completing years 11 and 12. Gifted year 10 students who have the aptitude and appetite to pursue a career in a skilled trade do not need to, nor do they have any interest in, attending years 11 and 12. Programs such as PaTH are commendable and the HIA has its own YouthBuild program, but governments need to develop and resource a better framework to assist our youth transition from school to a career prospect based on further training combined with learning on the job.
- **The VET sector underpins the skills capacity of Australia's residential building industry, providing the competencies and qualifications for individuals to become skilled and licensed to build and renovate the homes of thousands of Australians every year.**

For residential building the VET 'pathway' continues to be the number one entry point for most industry occupations and is necessary if individuals are to attain occupational licenses under all current state licensing regimes.

1.2 The importance of VET to Australia's residential building industry

The construction industry – including residential building – was a pioneering industry in terms of the development of Australia's VET sector and remains an integral client of the system. Housing construction is highly cyclical, but during up-turns the residential building industry tends to dominate the number of new apprenticeships commenced. Research shows that the construction industry in Australia produces the best labour market outcomes of any industry. For example, construction apprentices largely achieve better outcomes for trainees than any other pathway for young adults under the age of 25.²

It is unsurprising that over the last decade the traditional trade-based apprenticeships within Australia's VET sector have been complemented by a separate component of non-trade based training programs. There has been a necessary focus on 'newer industries' given the structural shifts that have occurred in the Australian economy as our workforce transitions away from manufacturing to the services sector. Advanced manufacturing and emerging industries such as STEM and ICT are prominent examples.

The VET sector, like all other education sectors is expected to train people to have STEM skills and be capable of delivering the skills required in our modern digital economy. While that focus is justified, there still needs to also be an on-going focus on the bedrock industry for Australia's VET system – construction – and the numerous domestic manufacturers and suppliers who support this industry.

Home building is a fundamental tenet of Australia's society and the economy and it is through the VET system that the skilled tradespeople who build, maintain and renovate Australia's housing come. This industry is a nimble, flexible and efficient industry with a pool of talent capable of making a successful career path. This is important to Australia's economic growth and future prosperity. Current VET funding does not reflect this fact, including in relation to a lack of recognition of the importance of and extensive training experience of GTO's in the residential building industry.

2. TERMS OF REFERENCE

1. The VET funding, policy and regulatory settings and how they can be optimised to support both school leavers and workers to maximise the achievement of relevant skills and employment outcomes for the VET sector.

Where do we start?

The transition from school to work has become increasingly difficult in the post GFC era, as exemplified by employment statistics. There is insufficient policy emphasis directed towards assisting young people who do not participate in Australia's tertiary education system to find a pathway to employment as soon as possible.

Obviously if funding, policy and regulatory settings are correctly set then VET outcomes will be as close to optimisation as can be. Trainees, graduates, hosts, employers, industry, the economy and the efficiency and effectiveness of government spending will all be improved.

The key to this outcome is to not treat Australia's VET system as being a universal model.

A crucial distinction for VET programs is between those that have an employment contract or equivalent link to employment and those that don't. A core component of Australia's VET system has historically been the tight linkages of the sector with industry. These linkages need to be re-ignited through a renewed focus on traditional, employment based training delivery models – such as GTO or employer-based apprenticeship schemes, for example.

² Construction Skills Queensland, Apprentice Annual 2018.

Institutional based training, such as through TAFE is an important element of an overall VET 'curriculum'. The focus, though needs to be on 'contract-based' training courses and frameworks, not institutional based training. This is where the government will achieve the best outcomes and consequently the best allocation of resources. It has been suggested in some quarters that TAFE's and universities should be seen as equally attractive. This is a valuable starting point in promoting the VET sector, but the key to successfully addressing Australia's funding asymmetry is to dig deeper through recognising and nurturing the strong links between young Australians learning a new skill, the requirements of Australian industry and the ability of industry to provide on the job training and experience.

A greater focus on apprentices is one example. In this regard it is important that government support and resources is directed towards well credentialed, established training providers. The government needs to avoid using a broad brush approach when judging segments of the VET sector who have not met industry compliance and recognise those providers who have a strong track record of apprentice completion rates and value for money. GTO's with a strong historical track record, of which the HIA Group Apprenticeship Scheme is one example, meets all the necessary requirements.

This means that within the VET sector there needs to be, at the minimum, a level playing field for funding between TAFE's and industry-based training. The most effective and efficient outcome for government funding would come via a preference for supporting industry-based training. A centralised model recognising the importance of project based funding would shine a spotlight on where resources would be most effectively allocated.

To this end there needs to be a centralised funding model which is project-based. This will reduce the current duplication and inefficiencies inherent in Australia's 'clunky' VET system; and allow for a focus on pathways and employee-employer linkages which will skill up young Australians while meeting the skilled labour requirements of industry.

A key aspect of a centralised, project-based model needs to be a renewed emphasis on 'selling' the VET sector in terms of the experience based education it can effectively provide. An inherent public perception bias towards the benefits of a tertiary education can be turned around through the government leading from the front in promoting the wide variety of financial and non-financial benefits young Australians (and older Australians looking to re-skill) can achieve through engaging with the VET sector.

The quality and quantity of skilled labour is important

HIA has a strong interest in ensuring the residential building industry and its vital linkages to manufacturers and suppliers produces a sufficient quality as well as quantity of skilled labour to ensure businesses can continue to produce materials locally. This is an important example for the rest of the VET sector.

Through the VET sector, the success the residential building industry has in attracting and keeping apprentices and trainees is vital to ensuring future economic prosperity in Australia. It is also the case that a substantial number of apprentices in the residential building industry move on to run their own small business, adding to the potential efficiency and the vibrancy of the economy.

HIA supports a government funding framework that places high priority on industries that rely on VET qualifications which:

- Verify critical skills and competencies for business and occupational licensing prerequisites;
- Have a high demand for skilled labour to ensure productivity growth;
- Provide career paths and jobs for thousands of Australians each year; and
- Provide a significant contribution to the Australian economy.

When it comes to funding, a successful framework must be based on an open and competitive market place which treats all training providers in the market in the same way regardless of whether they are publically or privately owned; whether they provide institutional training or whether they are a Group Training Organisation (GTO). An open and competitive market allows the user a choice of the course in which they participate and also the training provider they choose, without limiting the trainees ability to access Government funding.

A truly competitive market place will have the desired outcome of shifting the focus of Australia's VET sector to the students and employers. This outcome will in turn improve the quality of training, assessment and most importantly student outcomes, which will increase productivity growth, economic growth and the quality of skills in the industry.

2. Examine skills shortages in VET-related occupations, in particular any tension between VET outcomes and the needs of industries and employers; and what might be done to better align these.

There is compelling evidence of a structural shortage of skilled labour within the residential building industry. This trend is apparent over five distinct housing cycles spanning nearly two decades.

Industry demand for residential skilled labour needs to be met by an appropriate supply of potential apprentices and trainees, in the appropriate geographical areas.

Clearly this requires a VET system that provides school leavers, mature-age workers and those looking to change industries a pathway into an apprenticeship or equivalent training. There is currently a two-fold bias against this outcome occurring effectively and efficiently.

Firstly there is the funding and perception bias towards a tertiary education. Secondly there is the disproportionate focus in recent years on an institutional-based VET sector at the expense of an 'employee-employer' contract which combines skill training with experience on the job.

Using a Group Apprenticeship Scheme as an example, an apprenticeship in a residential building skilled trade provides an individual with skills, work experience, life experience, learning how to communicate effectively, numerical ability and many more career-enhancing attributes. This VET pathway also provides a range of career opportunities once an apprentice has completed his/her course. An institutional-based VET course – at a TAFE, for example – does not afford an individual this breadth of training, experience or opportunity.

3. Expected changes in future work patterns and the impact of technologies and how the VET sector can prepare Australians for those changes and the opportunities they will bring.

As previously noted, HIA recognises that structural shifts in the Australian economy – the increasing move towards the services sector being a primary driver – naturally means that demand for skilled labour in Australia is also shifting; and doing so in a fluid manner. We need to keep abreast of these developments in terms of the access and availability of training programs and the flexibility of such programs.

There needs to be an on-going requirement for Australia's training industry, especially the VET sector to promote and develop opportunities in areas such as STEM, ICT and the broader digital economy. Countries such as the United Kingdom, the United States and Germany are ahead of Australia in this regard and as a nation we need to catch up.

Such a focus cannot come at the cost of ignoring or paying too little attention to core and critical industries within the Australian economy which will rely on the VET sector for many decades to come. Home building in Australia will continue for many decades to be a 'hand-made' industry. It is concerning that a lack of attention to this industry is essentially what is happening at present.

Residential building is a unique 'hand-made' industry within Australia's VET system and the wider economy. The industry provides an essential service to all employees, trainees and employers in the nation's economy. That being the provision of a roof over people's heads, which in turn ensures a happier and more productive workforce across all sectors of the economy.

In this regard there needs to be appropriate resourcing, promoting and support of the skilled labour required to construct Australia's homes now and into the future. That requires a great focus by the government on the integral role residential building plays in Australia's VET sector than is currently the case.

At the heart of the challenge lies the requirement to ensure that VET programs are nimble, flexible and relevant to the needs of businesses within each sector or industry; as well as being appealing and accessible to school leavers, the unemployed and mature aged workers looking to re-skill or up-skill. A failure of the sector to understand and adjust to modular construction is a prominent example of VET not meeting this challenge.

The residential building industry has proven over many decades that it is very adept at meeting these requirements. Governments have tended to lose sight of this fact in recent years, while also failing to recognise what can be learnt from successful residential-based VET programs which can be applied to a simultaneous focus on new and higher technology industries.

The key across traditional critical industries such as residential building and a focus on 'new age industries' is recognition of the importance of the nexus between apprentice/trainee and host/employer/business to teach hands-on skills. There needs to be the opportunity for individuals from all backgrounds and industry interests to be able to embrace an employee – host/employer contract which allows them to gain industry and life experience, while also attaining the requisite skills they require.

4. The flexibility of qualification structures, particularly for mid-career workers and for industries rapid development of new skills.

The VET sector is not as yet responding to increased specialisation and new technologies in the Australian economy. Just like 'new age' industries, VET programs for skilled trades within the residential building industry also require a constant focus on the contemporary needs of potential and current trainees, businesses and hosts/employers. This requirement is not being adequately addressed by the VET sector either.

Within the benefits that a contract between 'employee' and host/employer confers upon an individual learning a skilled residential trade, there is the need to consider a greater degree of flexibility within VET training, especially in relation to the timeframe required to complete an apprenticeship.

This is the case for both school leavers and mature age individuals, the latter of whom form an important component of apprenticeship numbers in the residential building industry.

A greater flexibility to residential building courses would also provide employers with a greater incentive to engage with the industry's apprenticeship programs.

The evolution of skills requirements of the residential building industry will be successfully accommodated with the appropriate allocation of government resources within an on-going focus on the apprentice-host nexus. This is not about exploring greater flexibility of TAFE or equivalent courses, although that may indeed be justified. It is about increasing the flexibility of courses where the core benefit is the work and life experience derived from the nexus between trainee/employee and host/employer.

5. Community perceptions of the effectiveness of the VET sector and the accessibility and utility of information about VET options and outcomes, both for employers and students, including linking training options to employment outcomes.

The importance of the work/employment/life experience component of VET courses cannot be underestimated. This is the employment nexus basis for VET. Courses that fit this profile have historically been more effective in the successful provision of appropriate skilled labour and this will continue to be the case. The residential building industry is an example of this, along with many other professions such as cooking and hairdressing.

Greater resourcing of training options that are linked to employment outcomes is crucial to the success of Australia's VET sector across all industries. There needs to be a greater focus and emphasis in terms of time and resources placed on encouraging these training options than is the case given the current bias towards TAFE-based VET training.

As this submission has previously touched on there has in recent decades been a strong predilection for public sentiment to consider tertiary education to be superior to vocational training. This is clearly not the case and indeed the relevance and importance of VET compared to tertiary education will only increase in the future. There is an important role for the government to play in highlighting and promoting the benefits school leavers, young adults and mature age adults can derive from undertaking a VET course combined with an apprenticeship.

6. Whether additional support is needed for vulnerable cohorts including those unemployed and at risk of unemployment, or those with low literacy and numeracy skills.

Youth unemployment and underemployment is relatively high. Opportunities tend to be scarcer in the post GFC environment which has changed forever the economic and social basis from which all industries, individuals and nations now have to operate. Vulnerable cohorts in Australia's society need a pathway to sustainable employment. HIA's experience with work experience-based outcomes for these groups highlight the need for an employer link.

The Terms of Reference for this review note that it is important to focus on broader skills related to life experience, literacy and numeracy capability as part of VET training. This submission has previously highlighted the experience and success the residential building industry – through programs such as HIA's Group Apprenticeship Scheme – has in providing these broader skills.

This kind of VET training platform is precisely what Australia's more vulnerable cohorts would benefit from the most in terms of successfully entering Australia's workforce. Additional government support is a pre-requisite for this to occur.

7. Case studies of best practice in VET, and consider whether specific trials should be undertaken to test innovative approaches likely to deliver better outcomes.

HIA is of the view that the long history that the residential building industry has in Australia's VET sector places it in good stead to provide examples of VET practices and systems. 'Best practice' is a difficult criteria to meet as the current status of the sector doesn't really allow for such a situation to exist. That is partly why a review is required and a future comprehensive inquiry is necessary.

HIA's Group training scheme meets the pre-requisites in terms of having the integral component of an explicit and transparent link between an apprentice and the host. The skills learnt by apprentices range well beyond the institutional-based learning and on the job training related to a specific skilled trade.

HIA is obviously not the only GTO operating in the residential building industry. There are many whose model has consistently produced well rounded skilled tradespeople who have had the opportunity to choose from a range of career pathways. Thousands of individuals have gone on to enjoy very successful careers. Completion rates naturally tend to be higher among these successful GTO's, regardless of where the industry is at in the cycle.

The important and successful role that GTO's play in the residential building industry has been overlooked by governments for some considerable time now. This needs to be redressed via a reinvigorated focus on skills pathways.

3. CONCLUSION

The findings of an Access Economics report in 2006 remain as relevant today as they were then.

“Our living standards per head are a function of the effectiveness with which we work (productivity) and the proportion of us working (participation). Importantly, improved skills development (such as via VET studies to improve work skills) can do both of these. As economists have increasingly noted, not merely does increased investment in skills show up as more productive workers, those workers also tend to stay in the workforce for longer – thereby boosting participation as well as productivity...”³

It is important the federal government maintains a focus on ensuring Australia's VET sector is performing in a manner that allows these benefits to be realised.

The fundamental key to the federal government achieving this goal is recognition of the importance of vocational education and training courses that allow for 'on the ground' experiences in addition to 'classroom' learning. In the foreseeable future HIA does not believe there will be a time where skilled tradespeople are not required 'on site' to build a house; nor is it likely that at any time in coming decades people will stop going to a hairdresser or to restaurants with chefs and cooks.

The current framework, allocation of resources and funding of Australia's VET sector fails to pass this fundamental empirical test. It is critical that the federal government recognise vocational training as a cornerstone of Australia's education framework and provide the appropriate support and funding now and into the future.

³Access Economics Pty Limited, 16 June 2006 *Future demand for vocational education and training in NSW.*