

Queensland Skills and Training Taskforce

Final Report



November 2012

Chair's Foreword

In June 2012, the Queensland Government boldly tasked the Skills and Training Taskforce with providing independent advice and recommendations to reform and revamp the operations and outcomes of Queensland's vocational, education and training (VET) sector, as part of the newly elected Newman Government's push to reinvigorate the Queensland economy. The Taskforce now delivers its Final Report in fulfilment of the responsibilities entrusted to it by the Government.

I firstly acknowledge the Premier, the Honourable Campbell Newman MP and the Minister for Education, Training and Employment, the Honourable John-Paul Langbroek MP, for their determination in appointing the first industry-led review of the VET sector in this State, and for the privilege of asking me to Chair the Taskforce appointed to conduct that review.

Shortcomings with the State's VET sector have been widely acknowledged in many quarters and reflected in a succession of reviews commissioned by Government over the years. I wish to acknowledge the work of those preceding reviews, which have greatly informed the work of this Taskforce.

True to its Terms of Reference, the Taskforce has provided recommendations to ensure the VET sector can realise its full potential, free of many of the constraints the sector has experienced in the past. If the Queensland Government opts to embrace the Taskforce's recommendations, the success of the VET sector will then largely be in its own hands.

There are four fundamental components of the Taskforce's recommendations for VET reform in Queensland:

1. *A new industry-led Queensland Skills Commission* to direct the State's scarce training investment to deliver real solutions to the State's skills needs.
2. *A fully contestable and demand driven funding model* that encourages individuals to gain the skills needed by industry to drive growth in the State's economy and increase prosperity for all Queenslanders.
3. *A new TAFE Queensland* that is 'fit for purpose' in the emerging VET and economic context, and capable of meeting market and Government policy expectations in the medium to longer term.
4. *Reform of Queensland's apprenticeship system* to remove barriers and red tape through improved administration and harmonisation of the system as well as increasing flexibility through complementary trade and skills training pathways.

In forming its recommendations, the Taskforce drew on the experience and expertise from a broad range of stakeholders who participated in numerous face-to-face consultations and contributed their views through 91 submissions. A clear observation from this process was the almost universal desire for reform and the consistency of views around the directions these reforms should take.

That near unanimity of view around the necessary reforms should not and must not be presumed to suggest that the reform process recommended in this Report will be minor or easily achieved. If the Queensland Government is prepared to make the hard decisions, the benefits for Queensland's economy and for Queenslanders will be enormous.

The prime imperative in any reform of the VET sector in Queensland is to ensure that the sector delivers on the current and future skills needs of the State's economy. The Taskforce is of the view that deep industry engagement is the essential ingredient to a sustainable, quality VET sector. No longer can industry be seen as merely the end recipient of the outputs of that sector, to be periodically consulted by governments and their agents.

To be clear, business as usual in the VET sector will not deliver real solutions to the growing skills needs of industry, nor meet the economic objectives of the Queensland Government. Meeting the legitimate skills and employment aspirations of individual Queenslanders is what is at stake.

It is largely through the industries and businesses of this State – supported by good government policies and quality VET – that appropriately skilled Queenslanders will emerge to deliver on the true economic growth and employment potential of the State. However, a clear consensus from the Taskforce was that an increase in participation in training cannot be considered in isolation as a goal, but rather must be coupled with a direct correlation to employment outcomes that will deliver on the economic objectives of this State.

The future of the VET sector in this State will be determined by the Government's response to this Report, the 'smarts and grunt' that are applied by Government to the complex implementation task, and finally the response of the VET sector and its stakeholders to the opportunities presented by the wide-ranging reforms outlined in this Report.

The Taskforce looks to Government to provide a well-resourced implementation effort and is keen to emphasise that simply providing more taxpayers' money for the ongoing operations of the VET sector is not seen as the solution to the shortcomings and opportunities identified in this Report. Currently, too much Government funding is being diverted into wasteful overheads and low priority training. Real reform must involve more effective use of the existing funding envelope.

I wish to extend my appreciation to everyone who played a part in the development and preparation of this Report, in particular my fellow Taskforce members, the many stakeholders who contributed to various aspects of the Taskforce's work, the Department of Education, Training and Employment secretariat led by Robert Petherbridge and my Queensland Resources Council (QRC) secretariat colleagues who both provided an essential sounding board in the development of the Interim and Final Reports and covered for me in aspects of my 'day job' as QRC Chief Executive. I also thank QRC President Steve de Kruijff and the QRC Board for their willingness to have such a large portion of my time focused on this important Taskforce role in recent months.

This Report puts forward a raft of comprehensive recommendations for reforms to the State's VET sector.

I commend this Report to the Queensland Government.



Michael Roche
Chair
Queensland Skills and Training Taskforce

Queensland Skills and Training Taskforce Membership

Appointed Members

- **Mr Michael Roche**, Chief Executive, Queensland Resources Council (Chair)
- **Mr Gary Black**, (former) Executive Director, National Retail Association
- **Ms Claire Field**, Chief Executive Officer, Australian Council for Private Education and Training
- **Mr Daniel Gschwind**, Chief Executive, Queensland Tourism Industry Council
- **Mr Alex Livingstone**, Chief Executive Officer, Growcom
- **Mr Matthew Martyn-Jones**, Director - Queensland, Australian Industry Group
- **Mr Patrick McKendry**, Chief Executive Officer, Careers Australia Group
- **Mr Michael Ravbar**, State Secretary, The Construction, Forestry, Mining and Energy, Industrial Union of Employees, Queensland
- **Mr Warwick Temby**, Executive Director - Queensland, Housing Industry Association

Official Members

- **Ms Helen Gluer**, Under Treasurer, Department of Treasury and Trade
- **Ms Julie Grantham**, Director-General, Department of Education, Training and Employment
- **Mr Jon Grayson**, Director-General, Department of the Premier and Cabinet

Acknowledgements

Proxy Members

The Taskforce acknowledge contributions made to its work from people under deputation from Members. The depth and breadth of advice provided in this Final Report is richer for the experience and advice brought to the table from the following people.

- Ms Tina Davey, Executive Director, Social and Health Policy, Department of the Premier and Cabinet
- Mr Drew Ellem, Assistant Under-Treasurer, Queensland Treasury and Trade
- Mr Walter Ivessa, Assistant Under-Treasurer, Queensland Treasury and Trade
- Ms Kathryn Moody, Skills Link Manager, Queensland Tourism Industry Council
- Ms Jodi Schmidt, Deputy Director-General, Training and Employment, Department of Education, Training and Employment
- Ms Gabrielle Sinclair, Assistant Director-General, Strategic Policy and Portfolio Relations, Department of Education, Training and Employment
- Ms Kristine Skippington, Director of Training, National Retail Association
- Ms Michelle Templin, Workforce Development Officer, Growcom
- Mr Matthew Traynor, Queensland Executive Officer, Australian Council for Private Education and Training

Observers

- Ms Sonia Lee Davies, Policy Advisor, Office of the Honourable John-Paul Langbroek MP, Minister for Education, Training and Employment
- Ms Annette Whitehead, Deputy Director-General, Policy and Programs, Department of Education, Training and Employment

Advice and facilitation

The Taskforce appreciate the professional services willingly offered by the following people that provided a clear framework and focus for key elements of the Taskforce's Terms of Reference.

- Mr Peter Noonan, Director, The Allen Consulting Group
- Ms Rachel Hunter, former Director-General, Department of Education, Training and the Arts

Secretariat

The Taskforce express gratitude for the efforts, hard work and knowledge brought to bear on the Taskforce's work by members of the secretariat team from the Department of Education, Training and Employment and the Queensland Resources Council. Contributions from the following officers have enabled the Taskforce to deliver a comprehensive and high-quality product in a short period of time.

Queensland Resources Council:

- Mr Greg Lane, Deputy Chief Executive and Chief Operations Officer
- Ms Judy Bertram, Director, Community Engagement
- Ms Katrina-Lee Jones, Manager, Education Strategies and Services
- Ms Lynley Potts, Executive Assistant to the Chief Executive

Department of Education, Training and Employment:

- Mr Robert Petherbridge, Director, Tertiary Education and Training
- Ms Julie Johnston, Principal Policy Officer, Tertiary Education and Training
- Ms Trudy Steele, Senior Policy Officer, Tertiary Education and Training
- Ms Fiona Brown, Project Officer, Tertiary Education and Training

Table of Contents

Chair’s Foreword	1
Queensland Skills and Training Taskforce Membership	3
Queensland Skills and Training Taskforce Terms of Reference	6
Summary of Recommendations	9
1.0 Introduction and context	18
1.1 Consultation and submissions	19
1.2 Drivers for reform of VET	19
1.3 Key issues and emerging challenges for Queensland’s VET sector	20
1.4 A long term vision for Queensland’s VET sector	30
2.0 Industry engaged VET system	32
2.1 An industry led Queensland Skills Commission	32
2.2 Transforming VET investment	41
2.3 Linkages with the schooling and higher education sectors	45
3.0 TAFE Queensland	52
3.1 Background	52
3.2 A future role and purpose for TAFE Queensland	56
3.3 Financial viability of TAFE Queensland	58
3.4 A contemporary employment model for the engagement of staff	59
3.5 Smarter asset management strategies	60
3.6 A new TAFE Queensland	63
3.7 Transitioning to a new TAFE Queensland	68
4.0 Apprenticeships and traineeships	75
4.1 Introduction	75
4.2 Barriers and drivers for reform	75
4.3 Strategies to reduce duplication, increase flexibility and increase completion rates	78
5.0 Concluding remarks	82
Attachment 1 – Queensland Skills and Training Taskforce submissions and consultations	84
Attachment 2 – Data, literature and research reviews considered by the Taskforce	112
Attachment 3 – Workshop on Apprenticeships and Skilled Trade Outcomes	115

Queensland Skills and Training Taskforce Terms of Reference

Background

The new Queensland Government has committed to growing a four pillar economy through focusing on resources, construction, agriculture and tourism, and reducing unemployment in Queensland to 4 per cent over the next six years. Strengthening our vocational education and training (VET) sector is a key part of delivering on these commitments.

Consequently, the Government has undertaken to reform and revamp Queensland's VET sector. These reforms are necessary to ensure that training leads to skills to deliver growth in employment and productivity.

There are more than 2,900 training organisations registered to operate in Queensland's VET sector, including TAFE institutes, selected schools and private registered training organisations.

The VET sector is currently regulated and funded by a number of State and Commonwealth Government agencies, including the Queensland Department of Education, Training and Employment; the Training Employment and Recognition Council; Skills Queensland; the Commonwealth Department of Education, Employment and Workplace Relations; and the new Australian Skills Quality Authority.

Queensland's population grew from 2.6 million in 1986 to 4.4 million in 2009, and is expected to continue growing, projected to reach 5.48 million by 2021. More than 40 per cent of the population live in regional or remote communities and almost 40 per cent of VET is delivered outside the South-East corner, supporting regional industries in Queensland. More than 55 per cent of the Queensland population currently hold a VET qualification at Certificate III or higher.

The Government is establishing the Queensland Skills and Training Taskforce to ensure that the State's VET sector enables Queenslanders to contribute to our economy.

Taskforce Objectives

The Queensland Skills and Training Taskforce will provide advice and make recommendations to the Minister for Education, Training and Employment and the Assistant Minister for Technical and Further Education on the actions needed to improve the operations and outcomes of Queensland's VET sector.

The Taskforce will also review the role and function of all statutory bodies that contribute to the VET sector in Queensland to ensure they are aligned and fulfil their role in meeting Queensland's economic and employment objectives.

In undertaking this work, the Taskforce will consider a range of reviews and reports on the national and Queensland VET sectors and examine the performance of the VET sector, its current governance, regulatory and funding arrangements and mechanisms for industry engagement in training.

The advice and recommendations of the Taskforce should also be consistent with the Queensland Government's commitment to the Council of Australian Government's National Partnership Agreement on Skills Reform. The reform package is designed to support business by growing the pool of skilled workers, encourage existing workers to up-skill and increase workforce participation. This will be achieved by implementing strategies that:

- remove financial barriers to participation, including establishing a national training entitlement for at least the first Certificate III qualification and offering income contingent loans for higher level qualifications
- improve confidence of students and employers in the quality of training by piloting independent validation of training provider assessments and providing better access to information about training options and quality
- improving training enrolments and completions in high-level skills and among key groups of disadvantaged students, including Indigenous Australians.

The advice and recommendations of the Taskforce will build a platform on which the Government can deliver an industry-engaged sector producing graduates ready to enter employment and increase Queensland's productivity.

The Taskforce will consider the strategic direction of TAFE, including:

- the appropriate role for TAFE in supporting the four-pillar economy, with consideration given to the roles played by registered training organisations and schools
- the current offerings and outputs of TAFE and the quality of those offerings and outputs
- the level and nature of industry involvement in setting the direction of TAFE
- the operational efficiency of TAFE including asset management, workforce management, organisational structures and operating systems.

The Taskforce will also consider the impact of current regulatory frameworks and 'red tape' in terms of the barriers created for employers wishing to hire new apprentices and trainees.

In reviewing Queensland VET statutory bodies, the Taskforce will consider:

- the alignment of the objectives of the statutory bodies (individually and collectively) to the Government's economic objectives
- the representation of priority industry sectors within those bodies
- the efficiency and effectiveness of the operation of those bodies, specifically whether the body represents good value for money and is achieving its key performance indicators
- the structure of the bodies and if those structures enable appropriately independent advice to Government and allow for effective engagement with industry and relationships with key stakeholder entities.

The Taskforce's final report to the Queensland Government will provide recommendations that will enable the Minister to:

- deliver quality outcomes in line with the Government's election commitments, including but not limited to Pathways to a Skilled Trade Future
- reform and revamp skills and training in Queensland by:
 - addressing skills shortages by focusing training on job outcomes
 - reforming the current training pathways with the aim of increasing completion rates
 - improving the match between training and job outcomes for individuals, employers and industry
 - transforming VET investment to support demand driven training
 - identifying constraints on and opportunities for the improved performance of TAFE Queensland and articulating a clear role and purpose for the public provider in Queensland
 - establishing the right governance structure of the VET system to ensure accountability, value for money and long term co-operation between industry and government.

Targeted consultation will be undertaken as required with industry and employer organisations, registered training organisations (including TAFE Queensland), relevant government agencies and other bodies.

Role of Taskforce Members

The Taskforce will be chaired by an independent nominee of the Minister, and comprise industry leaders in the skills and training sector, peak employer groups, and training organisations.

The Taskforce will:

- consult with their relevant stakeholder groups to provide advice and input on behalf of their sectors
- consider a range of relevant data and literature, including but not limited to recent academic and industry reviews of and reports on the Queensland and national VET sector and their implications for Queensland
- contribute to the development of advice and position papers on specific issues at the request of the Chair
- develop recommendations for the future of the VET sector in Queensland.

The Taskforce will initially be established for a period of up to six months.

Project Management

The Department of Education, Training and Employment will provide secretariat support to the Taskforce.

Summary of Recommendations

#	RECOMMENDATION	PAGE
1.0 INTRODUCTION AND CONTEXT		
A long term vision for Queensland's VET sector		
1.1	<p>A future, long term vision for VET in Queensland based on the following core elements:</p> <ul style="list-style-type: none"> - the VET sector is an industry led, distinct and valuable component of the education and training system that supports achieving the Government's economic goals - the VET sector provides clearly identified and flexible opportunities for skills acquisition and development that are responsive to the needs of industry and in turn provide prosperous employment and life opportunities for individuals - the VET sector supports increasing the skills profile of Queensland in a way that is flexible and responsive to changing labour market and economic conditions in order to kick-start the next phase of productivity growth. 	31
2.0 INDUSTRY ENGAGED VET SYSTEM		
An industry led Skills Commission		
2.1	The Queensland Government establish a truly industry-led Queensland VET sector characterised by the creation of an independent statutory Queensland Skills Commission directly accountable to the Minister for Education, Training and Employment.	41
2.2	<p>The Skills Commission Board comprise:</p> <ul style="list-style-type: none"> - a high profile Chair drawn from industry - senior representatives (typically Chief Executives or equivalents with appropriate commercial skills) from the peak industry bodies and employers of the four pillars and of other major sectors of the Queensland economy, including potentially the health and community services, manufacturing and retail sectors - at least one representative of the trade union movement. 	41

#	RECOMMENDATION	PAGE
2.3	The Skills Commission perform the State’s VET funding functions.	41
2.4	The Skills Commission Board prepare advice to the Minister which assesses the options for performance of the VET contracting role including whether the role sits with the Skills Commission or whether this function is purchased by the Skills Commission from DETE or out-sourced.	41
2.5	Funding the acquisition of industry intelligence should be a matter for determination by the Skills Commission.	41
Transforming VET Investment		
2.6	A key component of improving the match between training and jobs outcomes is an informed consumer base. Prospective clients, including employers and students, need to be able to make informed decisions prior to investing in skilling and government requires a mechanism to assist to influence buying behaviour to fill emerging workforce needs.	42
2.7	<p>A demand driven funding framework, providing for public and private investment, that is responsive to the needs of the economy, industry and individuals within the following four broad categories:</p> <ol style="list-style-type: none"> 1. Selected Certificate IV and above qualifications, skill sets and other specific priorities with pricing, subsidy levels and caps reflecting industry advice. 2. National minimum entitlement up to Certificate III, meeting the requirements of the National Partnership Agreement on Skills Reform with pricing, subsidy levels and caps reflecting industry advice, economic and government priorities. 3. Foundation skills focusing on literacy, numeracy and employability skills based on industry advice and National VET Equity Advisory Council guidelines. 4. VET in Schools (VETiS) that is targeted towards industry approved qualifications that lead to genuine employment opportunities. 	43

#	RECOMMENDATION	PAGE
2.8	<p>Implementation of the demand driven funding framework occur by applying the User Choice funding model to implementation of the national minimum entitlement as outlined below:</p> <ul style="list-style-type: none"> - entitlement be progressively implemented from 1 July 2013, with an initial contestable funding pool established with \$21 million from National Partnership Agreement funds and a matching \$21 million State VET Revenue General (VRG) contribution, noting for example the potential VRG funding freed up as a result of implementation of Recommendations on VET in Schools - entitlement be fully implemented from 1 July 2014 with 100 per cent of training funds dedicated to entitlement to be contestable, noting that the final amount of contestable funding will be subject to finalising the cost of the TAFE owner's base cost, as recommended elsewhere in the Taskforce's Report. 	44
Linkages with the schooling and higher education sectors		
2.9	<p>There is a clear role for VETiS into the future, within a strictly applied framework that supports achievement of the Government's economic goals, however, Government's VRG investment in VETiS needs to be focused on employment outcomes and aligned to the skill needs of industry.</p>	49
2.10	<p>A new funding framework for VETiS should reflect the categories of 'Exploration', 'Education' and 'Employment', with the principle that VRG funding would only support the third category of 'Employment', that is the delivery of occupational specific skills and knowledge to the technical standard required in the workplace, in areas of priority identified by industry.</p>	49
2.11	<p>Pathways to support student transitions through 'Exploration' and 'Education' categories should continue to be made available to young people and funded outside VRG.</p>	49
2.12	<p>The Queensland Skills Commission and the State's higher education sector broaden their level of engagement to ensure that a structured dialogue on skills for the economy occurs, with the results of this dialogue made public. With the Minister's approval, this could commence as an adjunct to the Higher Education Forum.</p>	51

#	RECOMMENDATION	PAGE
3.0 TAFE QUEENSLAND		
A future role and purpose for TAFE Queensland		
3.1	The role and purpose of TAFE Queensland into the future is to deliver skills and training that are responsive to the needs of industry and Queensland's economy and, where identified, to deliver clearly defined Government priorities that cannot be otherwise delivered in a contestable market.	57
Financial viability of TAFE Queensland		
3.2	The base cost of the public provider, constructed on clearly defined and transparent parameters, should be identified as a priority.	58
3.3	Adequate funding to support the agreed transition of TAFE Queensland to a competitive entity within VET should be quarantined for a pre-determined period, separate to any non-contestable base funding and fully contestable government funding for delivery of VET.	58
A contemporary employment model for the engagement of staff		
3.4	A new industrial arrangement for the TAFE workforce is essential in order to deliver gains in flexibility and productivity - as well as recognising the importance of sessional and casual staff to the TAFE workforce - to support the viability of TAFE Queensland.	60
3.5	The Government pursue a revamped industrial relations arrangement which addresses at a minimum the following: <ul style="list-style-type: none"> - the need for a wider spread of hours and contact time, including removal of the in-built systemic barriers to evening classes - the current practice of non-attendance time becoming de facto additional annual leave - implementation of industry competitive overtime arrangements - the ability of management to have full discretion in engaging casual staff - greater class size flexibility. 	60

#	RECOMMENDATION	PAGE
Smarter asset management strategies		
3.6	A range of strategies will be required to substantially reduce TAFE Queensland's current infrastructure footprint and increase utilisation of assets to ensure longer term viability.	62
3.7	<p>A strategic asset management strategy be immediately set in train under a central point of Government in consultation with relevant stakeholders and subject to appropriate governance and oversight. This strategy should address:</p> <ul style="list-style-type: none"> - value-added solutions to the management of existing assets and examination of leased and/or shared facilities - increased and optimal utilisation rates and accompanying incentives and capital charges - consolidation of existing TAFE campuses - strategic disposal of surplus infrastructure - the percentage split between return of proceeds from sales of surplus TAFE infrastructure to consolidated funds versus ensuring sufficient, ongoing, capital funding to sustainably manage and maintain the asset base over the longer term - a range of strategies for the ownership, management and maintenance of the future stock of public training assets including consideration of a separate public or private entity with specialist skills and expertise in infrastructure management being charged with the efficient management of the assets - appropriate third party access strategies for public training infrastructure - new asset acquisitions or developments consistent with training delivery models adopted in the new business model - standalone versus strategic partnering opportunities - with business, industry, other agencies or registered training organisations (RTOs) and or schools. 	62
A new TAFE Queensland		
3.8	A TAFE Queensland parent entity be established outside the current department structure as a statutory body, in a way that provides a potential future opportunity to transition to a more commercially focused organisational form (including potentially a GOC).	64

#	RECOMMENDATION	PAGE
3.9	The parent entity for TAFE Queensland be driven by a commercially focused Board constituted by and accountable directly to the Minister responsible for training, and drive a business focus to TAFE Queensland's structure, locations, operations and supporting products and services.	64
3.10	The parent entity should be managed by a Chief Executive Officer (CEO), broadly equivalent to a Director-General.	65
3.11	TAFE delivery options must be expanded beyond traditional campus-based delivery to enhance access to services, including on-line service delivery in all its aspects. System wide on-line and technology approaches, led by the TAFE parent entity, are required for state-wide industry, student and community access, but localised innovations must also be enabled.	67
3.12	<p>A rationalised structure of TAFE institutes under a TAFE Queensland parent entity which could have the following characteristics as recommended by the Department of Education, Training and Employment:</p> <ul style="list-style-type: none"> - Far North Queensland Region (from 26 to 15 campuses) - Fraser and Sunshine Coast Region (from 13 to 8 campuses) - Western Corridor Region (from 16 to 11 campuses) - Brisbane Metropolitan Region (from 15 to 5 campuses) - Skills Tech Australia (from 6 to 2 campuses) - Gold Coast Region (from 6 to 3 campuses). <p>The Taskforce noted that Central Queensland could form a seventh region, subject to the separate consideration by Government of a proposed merger of the Central Queensland Institute and CQ University.</p>	67
Transitioning to a new TAFE Queensland		
3.13	A well-resourced and strongly-led Reform Implementation Unit, with appropriate access to external expertise, be established to drive the program of work outlined in this Report and lead the change management process to transition TAFE Queensland.	69
3.14	A new TAFE Queensland parent entity should be established and operational by 1 July 2013.	71

#	RECOMMENDATION	PAGE
3.15	Upfront investment will be required over the short to medium term in TAFE Queensland in order to realise longer term efficiencies and increases in productivity expected from implementation of the Taskforce recommendations.	71
Medium to longer term options for the public provider		
3.16	That while TAFE Queensland be given reasonable opportunity to reform through implementation of the recommendations in this Report, the level of public provision in the longer term future should be on an 'as and where it is needed' basis and the level of public provider capacity maintained at any given time should be informed by the VET sector's market dynamics and maturity.	74
4.0 APPRENTICESHIPS AND TRAINEESHIPS		
Strategies to reduce duplication, increase flexibility and increase completion rates		
4.1	Improve the administration of apprenticeships including streamlining and clarifying procedures for commencement, suspension, transfer and completion of contracts and restricted callings.	79
4.2	Legislative amendments to: <ul style="list-style-type: none"> - allow for the transfer of training contracts between employers to support apprentice transitions between employers - remove duplication and conflicting employment related matters from the training legislation to streamline processes and make the system simpler for employers and to reflect Fair Work Australia processes and responsibilities - harmonise Queensland legislation with similar legislation in other jurisdictions to give effect to a national apprenticeship system - reduce the timeframe to sign and lodge the training contract to promote increased engagement of employers and apprentices in training activities - reduce the 'age limit' on restricted callings from 21 years to 18 years to better reflect the contemporary nature of employment in restricted calling areas. 	79

#	RECOMMENDATION	PAGE
4.3	Significantly free up regional services from processing and administering multiple forms and duplicative regulatory procedures to allow increased support for training monitoring and mentoring to aid completion of training.	79
4.4	Expand regional services, on the basis of improved administration processes, to better market the flexibilities and opportunities within the existing apprenticeship system to small and medium enterprises and individuals.	79
4.5	Strengthen the Queensland Government Building and Construction Contracts Structured Training Policy (the 10 per cent training guarantee) to improve compliance with the policy.	79
4.6	Government pursue negotiations with the Commonwealth for the transfer of Australian Apprenticeship Support Services to the State, on terms that are acceptable to the State.	79
4.7	Investigation of user-oriented on-line processes to replace the current paper-based apprenticeship management systems.	79
4.8	<p>Adoption of a Registered Trade Skills Pathway model with the following characteristics:</p> <ul style="list-style-type: none"> - a pathway available to persons over the age of 18 with potential application to restricted callings to be investigated further - a training plan registered with the Department of Education, Training and Employment - a training record book and work based skill formation strongly supported by RTO delivered formal training - opportunities for on-the-job training supported by an employer or employers that are responsible for verifying achievement of on-the-job competency - a final trade assessment to assure the participant has achieved tradesperson standard - awarding of the relevant qualification from the RTO and a certificate of achievement awarded by the Department of Education, Training and Employment - flexible delivery approaches. 	81

#	RECOMMENDATION	PAGE
4.9	A strategy for increasing use of institutional pathways be developed in consultation with individual industry sectors, and where stakeholder agreement is achieved, pilot programs be initiated with follow-up reviews.	81
4.10	Consideration of carefully targeted employer incentives to promote the commencement and completion of apprenticeships in priority industry and apprenticeship areas, including consideration of the optimum timing of payments.	81
4.11	Consideration of a significant communication and social marketing strategy to reinforce the benefits of career paths in the four pillar industries and improve attractiveness of VET skilling pathways to employers, prospective apprentices and trainees and the community in general.	81

1.0 Introduction and context

On 19 June 2012, the Premier and the Minister for Education, Training and Employment established the Queensland Skills and Training Taskforce (the Taskforce), in line with the Government's commitment to reform and revamp Queensland's vocational education and training (VET) sector. Problems within the current system are widely acknowledged to include its fragmented structure and nature, high cost public provision, below average participation rates, inability to resolve skills shortages, lack of industry engagement and limited client focus.

In order for Government to realise its vision for a strong four pillar economy, reducing unemployment to 4 per cent over six years, adding a further 10,000 apprentices into the VET sector and employment, and building a prosperous Queensland, urgent reform of the State's VET sector is required to deliver better value and outcomes from training investment.

The VET sector has a major role in enabling the State's economy, through skilling Queenslanders for employment, responding to the skills needs of industry and realising the Government's vision for a prosperous Queensland.

There is a clear link between the skills profile of the workforce and productivity growth. Simply encouraging more people into the workforce will not deliver industry the skills and expertise it needs in order to effectively compete in today's complex environments. The solution needs to be two-fold and include strategies to increase participation in training at the same time as ensuring that the training delivered directly relates to the skills individuals need for meaningful employment that contributes to Queensland's economy and society.

The Taskforce contends that increasing the population's participation in skills and training that is aligned to the needs of industry is the most efficient way of increasing Queensland's productivity growth and prosperity.

The Taskforce has heard that investment in skills and training in Queensland is low and the cost of delivering training in the State is high – nearly the highest in Australia.

Acknowledging the fiscal constraints of the State, it may not be possible to simply pour more government funding into training at this time. However, the Taskforce is of the view that increased government and non-government investment in skills and training over the medium to longer term is fundamental to achieving the Government's vision for the State.

In this regard, the Taskforce's recommendations and advice go to the task of improving the efficiency and effectiveness of the Queensland VET sector to narrow the gap between low levels of investment and high delivery costs.

Advice presented to the Taskforce suggests that nearly half of the \$752 million government investment in training in 2011/12 was directed via the VET Revenue General (VRG) funding stream, which in the majority, is provided for delivery of training through public providers.

The Taskforce heard that there are significant opportunities to reform TAFE Queensland to improve the efficiency and effectiveness of not only the public provider, but of the whole system, starting with the fundamental and structural issues facing TAFE Queensland. For this reason, the Taskforce delivered an Interim Report on 31 August 2012 that focused on reform of the public provider.

This Final Report incorporates the recommendations from the Interim Report along with the outcomes from further analysis and consultation about the future role of Queensland's public provider of VET that were not available in August.

To be clear, this Final Report contains the Taskforce's advice and recommendations to Government and supercedes the preliminary advice contained in the Taskforce's Interim Report.

1.1 Consultation and submissions

Consistent with its Terms of Reference, the Taskforce has undertaken consultation with a range of stakeholders and reviewed relevant data and literature to inform the advice and recommendations contained in this Report.

An important part of the Taskforce's role was to capture views and input from stakeholders across the VET sector, industry and the broader community. Consequently, the Taskforce conducted targeted consultations and accepted submissions from a range of stakeholders, interested parties and individuals from July to October 2012 to inform its advice and recommendations to Government.

Views of several key stakeholders including TAFE Directors Queensland, TAFE Queensland Council of Chairs, TAFE Directors Australia, Australian Skills Quality Agency, Queensland Commission of Audit, Australian Council for Private Education and Training, Central Queensland University and Victorian TAFE Reform Panel were captured during targeted meetings with the Taskforce Chair and Members.

A workshop on apprenticeships and skilled trade outcomes was also initiated and convened by the Chair. Over twenty expert and strategic thinkers attended, providing valuable insights and advice to the Taskforce on system blockages, contemporary models and workable solutions.

The Taskforce's consultation process yielded 91 submissions from representative groups, organisations and individuals. An analysis of these submissions, along with an outline of key consultation meetings held by the Taskforce is provided at Attachment 1. Data and research reviewed by the Taskforce is provided at Attachment 2.

1.2 Drivers for reform of VET

The economy

In the national context, the significant restructuring in the economy continues unabated. This restructuring has been widely reported in recent years in the media and been the subject of research and policy across a wide number of government, public and private entities including the Federal Treasury, the Reserve Bank of Australia and the Productivity Commission to name just a few.

As a number of traditional industries and economies have gone into decline, others have prospered, and Queensland has emerged with the opportunity to position its economy to continue to benefit from the global developments driving our economy.

Chronic skill shortages have, however, plagued Queensland's industries and economy arguably for nearly a decade. Analysis provided to the Taskforce indicates that there has been no growth in VET student numbers in Queensland over the last decade, despite the growth in Gross State Product (GSP) and State population in this period.

Skilling people for employment, up-skilling for advancement, cross skilling for changes in roles and employment have not kept pace with the rapidly expanding economy. Skills are an asset to individuals, and a sustainable supply of such skilled workers driving an increasingly skilled workforce relevant to the demands of our economy, is an equally important asset for the State.

It is in this context of a dynamically changing state and national economy and the demand for relevant, timely skills for industry, individuals, employers, the economy and the community of Queensland, that the Taskforce has undertaken its work on this Report.

The Queensland economy requires the proactive reform and engagement of the entire VET sector to ensure that individuals continue to enjoy good employment prospects, that businesses can establish and grow, and that major industries are able to continue to meet national and global market opportunities. This future, both for the current and future generations of Queenslanders, is put at higher risk if the supply of skilled workers falters further, as it has in recent years. The global economy will not wait for Queensland to get its house in order. 'Business as usual' responses will only assure relative economic decline with associated social policy ramifications and consequences. The Government's establishment of, and Terms of Reference for, this Taskforce is a clear signal that it is alert to the dangers of complacency and the status quo.

To be clear, the Taskforce considers that achieving effective skills outcomes from the scarce government, industry and individual funding sources is a core accountability for the State's VET sector. The changing economy requires nimble, flexible, responsive outcomes from our VET sector. This is where the Queensland Government's economic and employment policies – including the goal to reduce the State's unemployment rate to four per cent by 2018 - neatly interface with the VET sector.

To that end the Taskforce has approached the task of delivering recommendations and advice to the Minister for Education, Training and Employment and the Assistant Minister for Technical and Further Education about the actions needed to improve the operations and outcomes of Queensland's VET sector in three distinct areas aligned to its Terms of Reference:

- the strategic direction of TAFE incorporating its role in supporting Queensland's four pillar economy and the level and nature of industry involvement
- measures to reform and revamp skills and training leading to a demand driven system and increased uptake in apprenticeships and traineeships
- the role and function of all statutory bodies that contribute to the VET sector in Queensland to ensure they are aligned and fulfilling their role in meeting Queensland's economic and employment objectives.

1.3 Key issues and emerging challenges for Queensland's VET sector

The most recent review of Queensland's VET sector is the Queensland Post-secondary Education and Training (QPET) Review undertaken by Mr Peter Noonan of the Allen Consulting Group (Nov 2010).

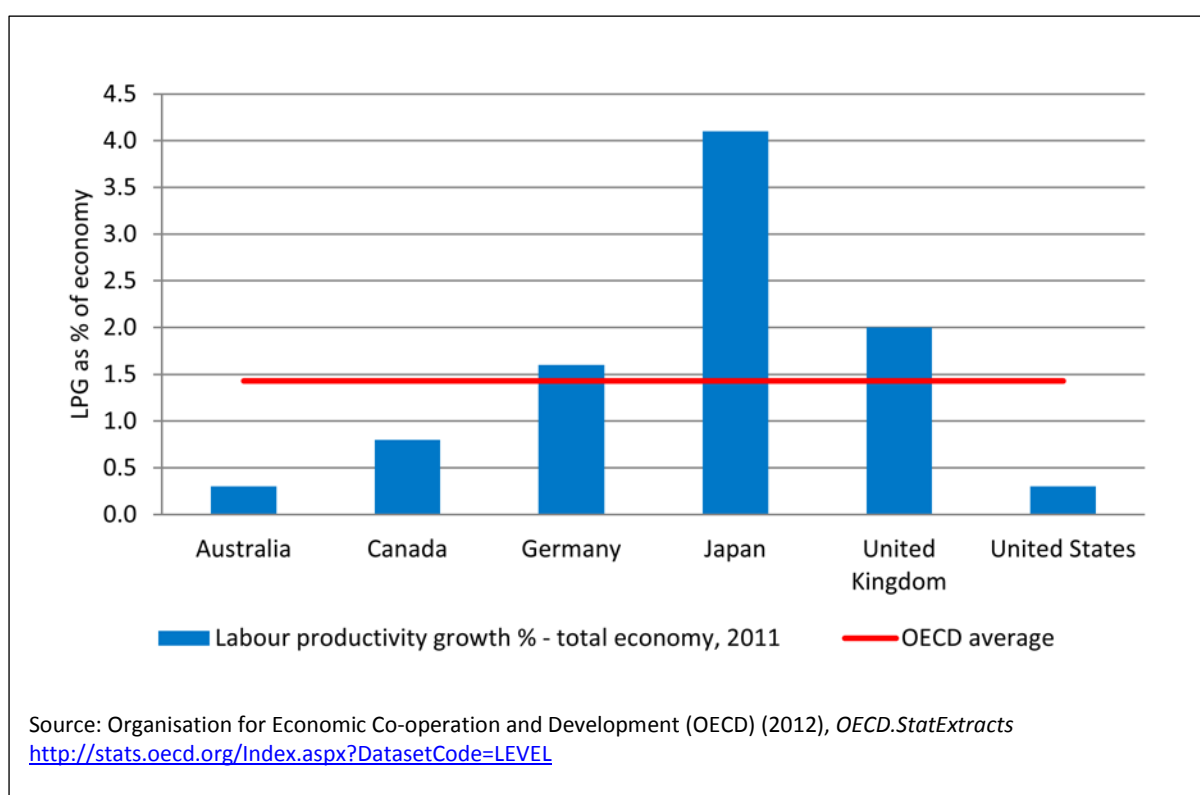
The QPET Review identified significant economic and demographic challenges including a decline in the underlying rate of productivity growth; differential levels of workforce participation; and differential rates of population growth and ageing across Queensland.

Specifically, the review concluded that the key issues that needed to be addressed in Queensland include low levels of industry satisfaction with VET delivery; the work readiness of graduates; declining participation rates in post-secondary education and training; student attrition rates; and low levels of literacy and numeracy in the adult population.

The QPET Review contended that the overarching economic and social challenge for Queensland is to establish long term sources of prosperity. It also noted that sustainable economic growth will depend largely on rates of productivity growth and workforce participation across the economy. It observed that an easing in aggregate productivity growth has occurred during the last decade.

Figure 1 below illustrates the challenge ahead in terms of Queensland and its companies competing internationally should action not be taken to improve productivity growth.

Figure 1: Australian and international labour productivity growth as percentage of total economy

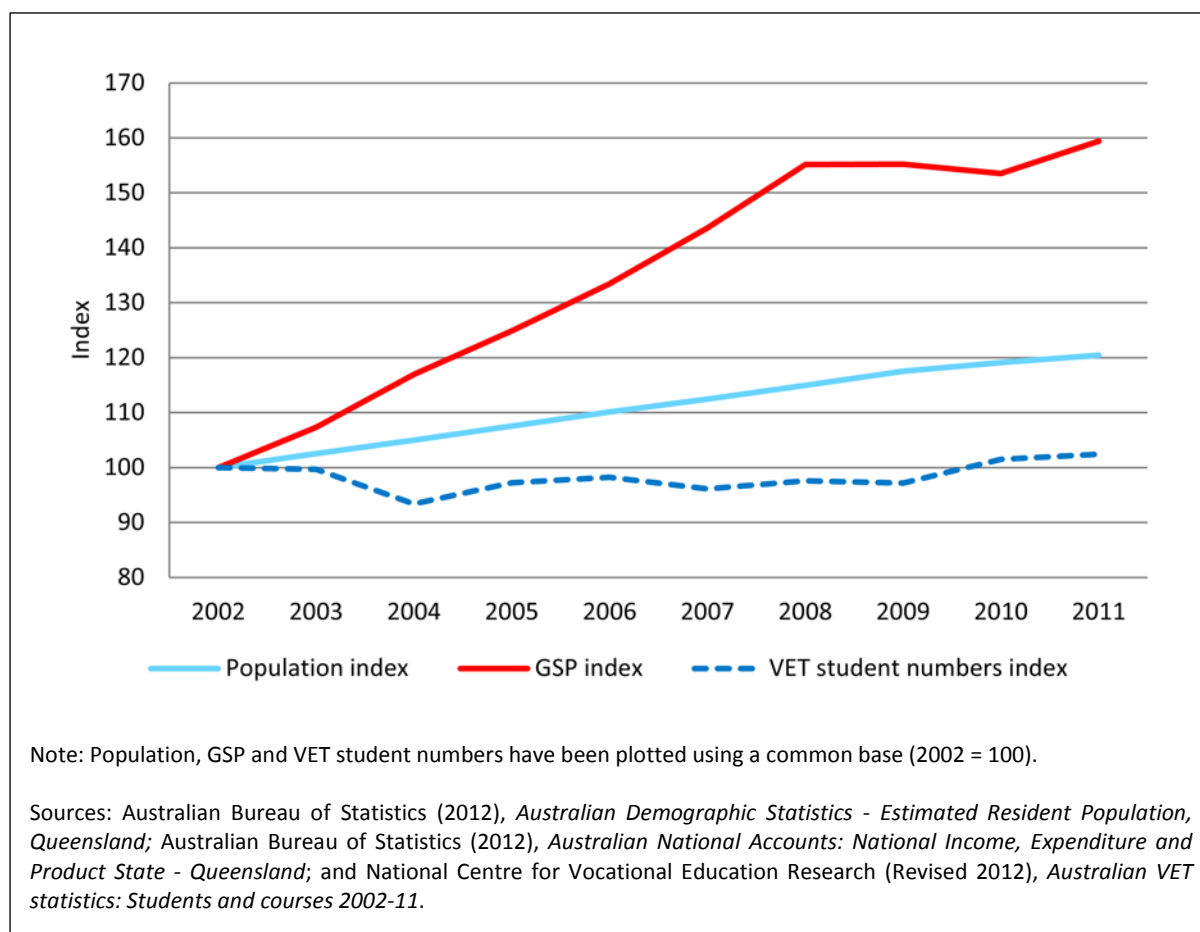


Participation in VET

It is widely recognised that higher levels of educational attainment result in higher labour force participation rates and longer participation in the workforce. It is of concern then, that despite strong historical and projected population growth, the number of people participating in post-secondary education and training, in particular VET, has remained stagnant for the last decade. In addition, Queensland has a higher proportion of older people without training or tertiary qualifications than the rest of Australia and the State’s population is ageing.

Demand for, and participation in, VET needs to keep pace with economic shifts. As Figure 2 illustrates, over the last ten years growth in VET student numbers has not kept pace with growth in Queensland’s population and GSP.

Figure 2: Comparison of Queensland population, gross state product (GSP) and VET growth

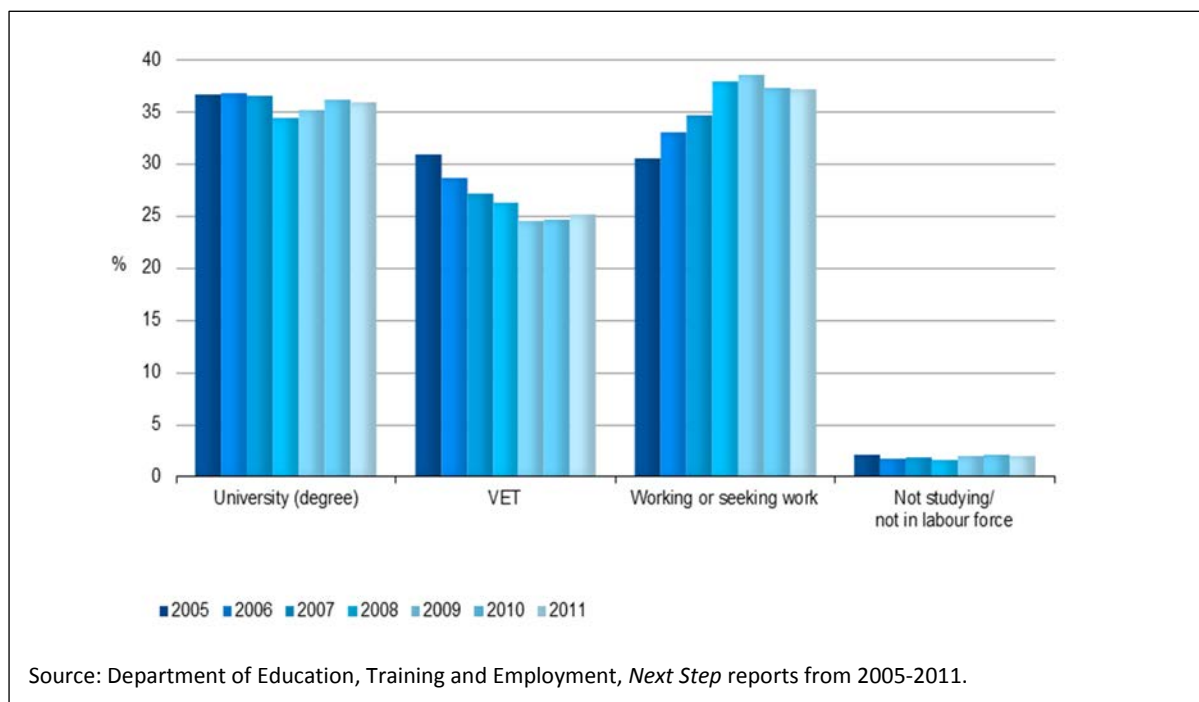


Queensland participation rates in VET have been consistently behind the national average. In 2011, the participation rate for Queensland was 9.7 per cent against a national average of 12 per cent (National Centre for Vocational Education Research National VET Provider Collection).

These trends are accompanied by an increasing proportion of young people working or seeking work, at the expense of participation in post-secondary education and training (Figure 3). Indeed, should young people continue to enter the workforce directly from school, without improving skill levels through post-secondary education and training, the State’s capacity to improve productivity will be further weakened.

Labour market data also amply demonstrates that individuals’ quality of life, measured for example by unemployment rates and income levels, is directly linked to possession of post-secondary school qualifications.

Figure 3: Main destinations of Queensland Year 12 completers 2005-2011



Skills and training investment

While the overall government revenue for tertiary education, skills and training increased in total over the period 2008-09 to 2012-13 according to Service Delivery Statements (Figure 4), Queensland has the second lowest rate of state government investment (Figure 5) and the equal second lowest non-government investment in skills and training (based on limited data available) when compared with other jurisdictions across Australia. In this context, the Taskforce noted that total Government revenues for tertiary education, skills and training Queensland is projected to reduce in 2012-13 for the first time in six years.

Figure 4: Government sector revenue for tertiary education, skills and training – Queensland

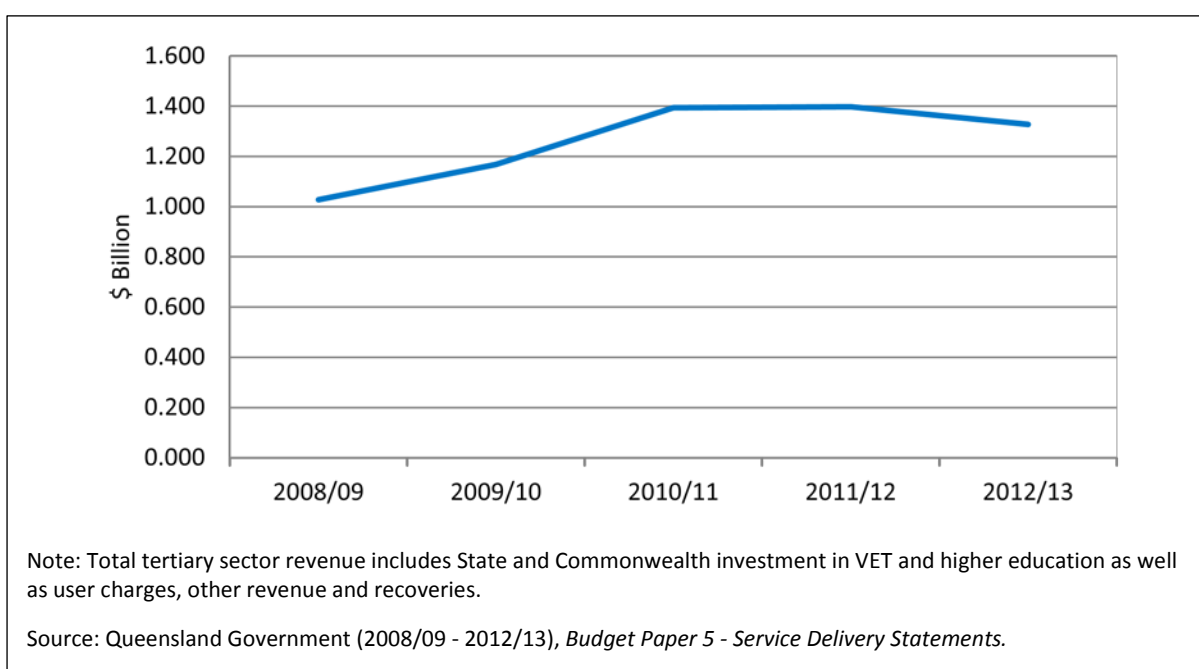
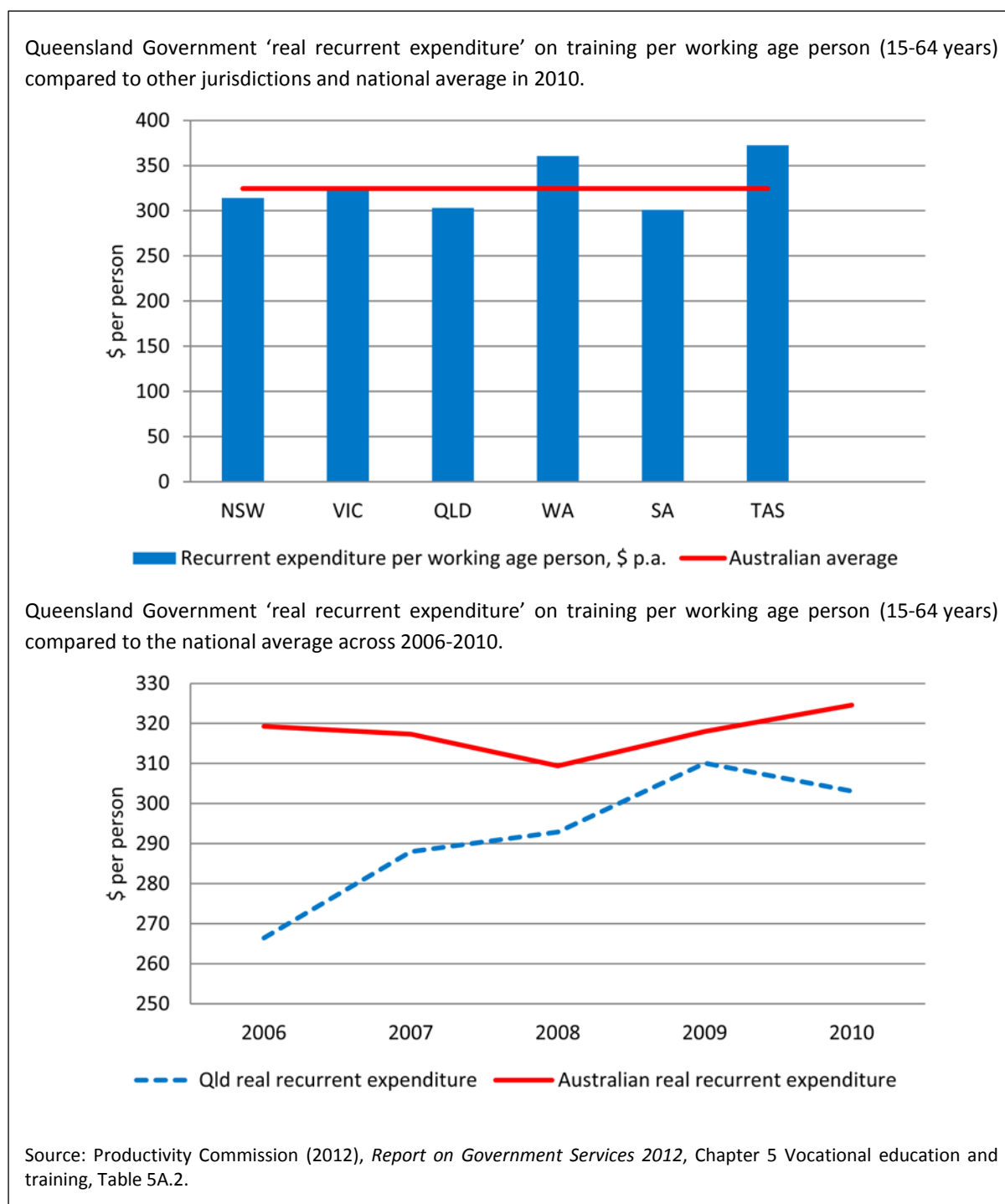


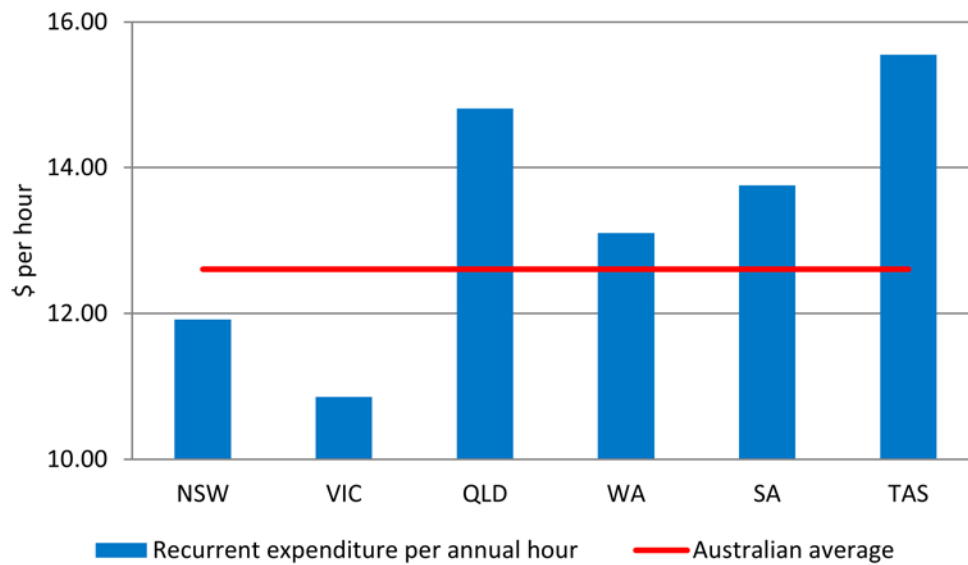
Figure 5: Queensland Government investment in training compared with other jurisdictions and national average



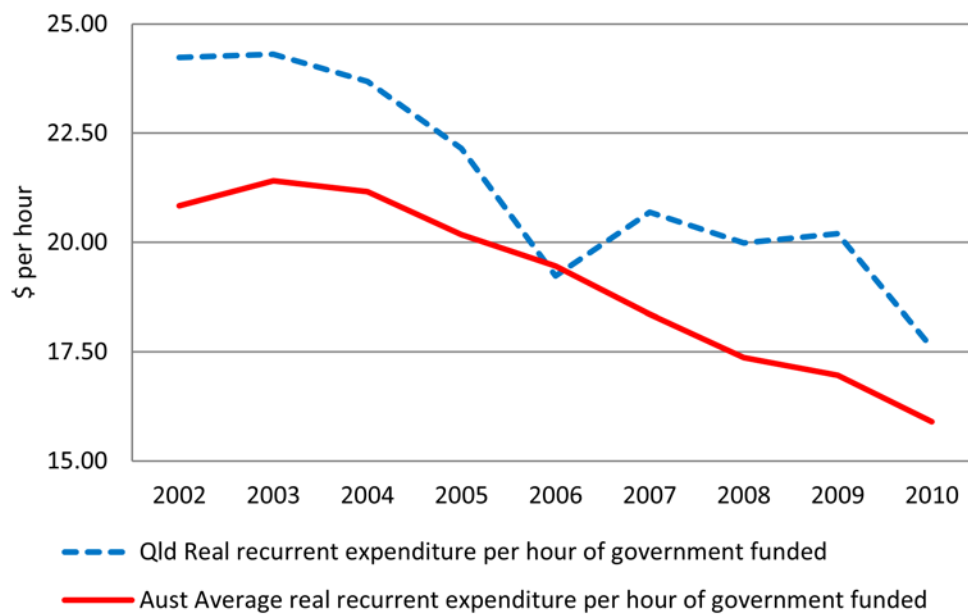
Compounding Queensland's lagging position for government and non-government training investment is that the State has the second highest average cost of training delivery in Australia (Figure 6). In part, higher training delivery costs may be attributed to delivery of higher level (Certificate III and above) qualifications as well as Queensland's geographic spread and growing numbers of disadvantaged learners accessing training. Later discussion of the out-dated TAFE employment model and other structural inefficiencies also sheds some light on the high cost of training delivery and poor productivity in the Queensland VET system.

Figure 6: Cost of training delivery in Queensland compared with other jurisdictions and national average

Queensland's hourly cost of training delivery compared to other jurisdictions and national average in 2010.



Queensland's hourly cost of training delivery compared to the national average over 2002-2010.



Source: Productivity Commission (2012), *Report on Government Services 2012*, Chapter 5 Vocational education and training, Table 5A.19.

Changing needs of industry

Queensland's diverse economy, with differing levels of growth and productivity in various sectors and regions, presents significant challenges and intensifies the need for a connected and engaged VET sector with close links to business and industry (Figures 7 and 8). This is not to diminish the importance of also engaging with the many individuals who choose to undertake training to pursue their personal skills aspirations.

Traditional approaches to skills and workforce development have not been able to keep pace with the needs of Queensland's employers and the expanding demand for skills required in the 21st century such as highly skilled advanced trade and paraprofessional roles as evidenced in such reports as the Skills Queensland Industry Skills Reports and the Queensland Resources Council Growth Outlook Study (November 2011).

Fundamental to increasing productivity is raising the skills and qualifications profile of the population, to match occupational and employment needs of the labour market. The challenge for Queensland's VET system in this regard is investing in the right skills leading to solid employment outcomes to support the State's growth industries and supporting industries undergoing transformation and restructure necessitating the adoption of different business models and reliance on different and new skill sets.

Traditional approaches for acquiring trade skills via the indentured apprenticeship system remain subject to the counter cyclical relationship between economic growth, employment and investment in training, and are one of the contributing factors to persistent skill shortages (Figure 8).

Figure 7: Change in employment in Queensland by industry, Year to August 2012

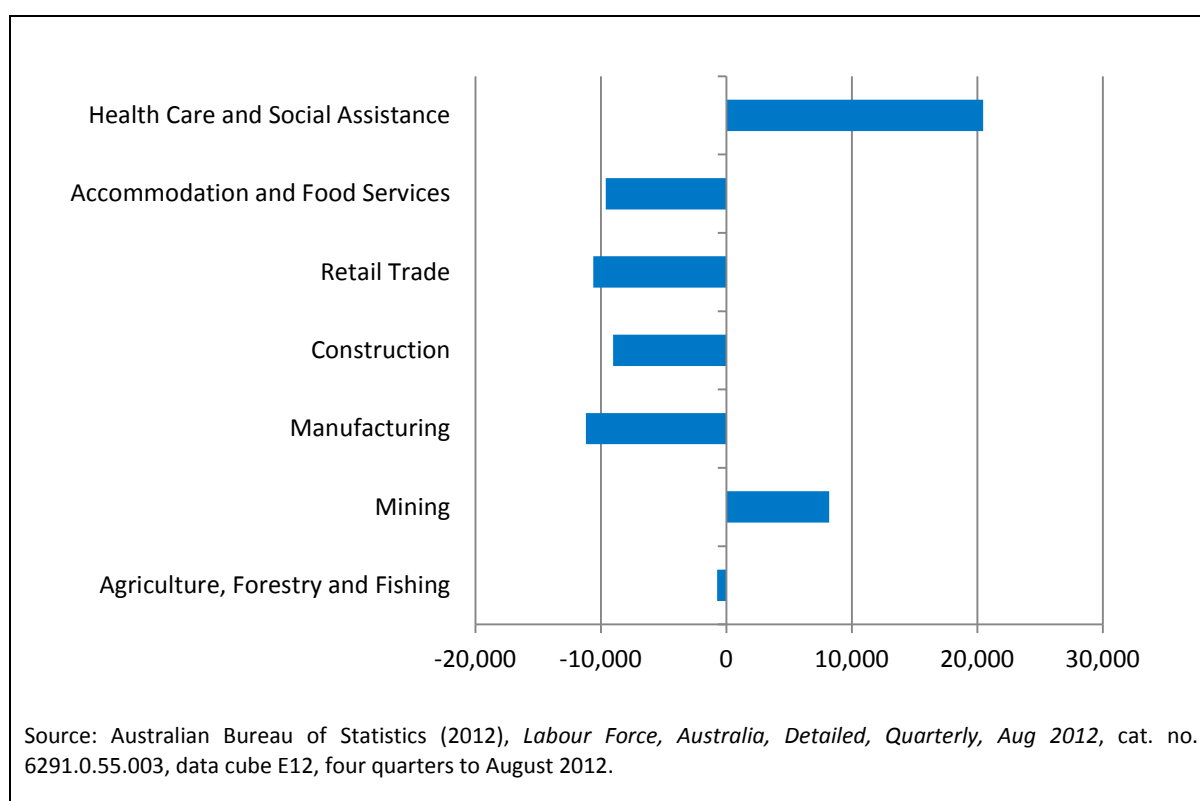
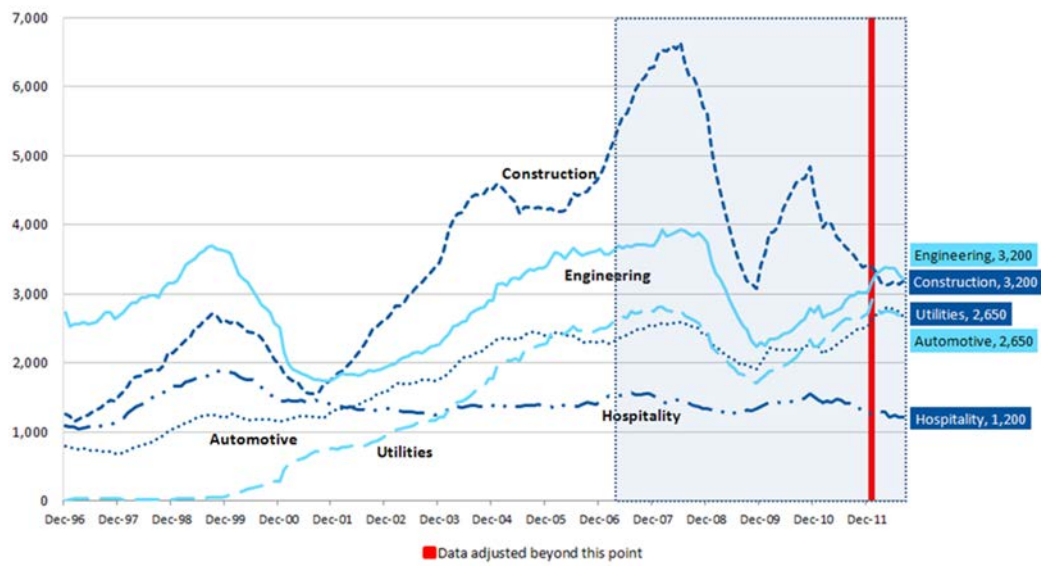
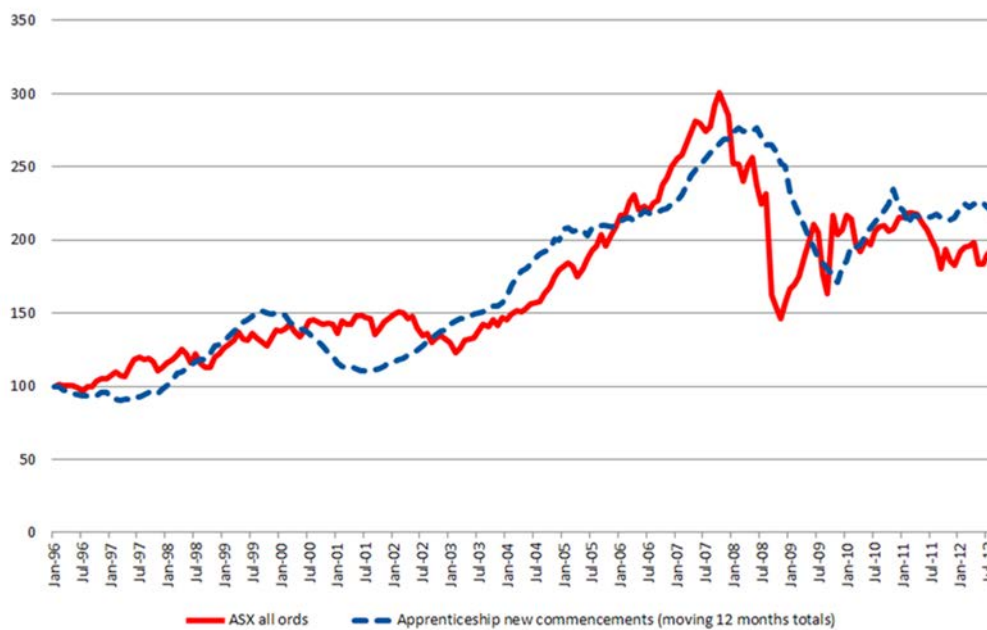


Figure 8: Cyclical relationship between apprenticeships and the economy

Apprenticeship new commencements - selected Industry Training Groups (ITGs) – longer-term trends



Australian Stock Exchange versus apprenticeship new commencements



Note: Apprenticeship new commencements (annual totals) and the ASX All Ordinaries Index have been plotted using a common base (31/1/1996 = 100).

Source: Department of Education, Training and Employment (2012), *Emerging Apprenticeship and Traineeship trends – Queensland, September 2012*.

The national context

Based on 2011-12 figures, the Queensland Government provided approximately 65 per cent (or \$739.5 million) of all funding for VET in Queensland and the Commonwealth Government provided approximately 35 per cent (or \$396.5 million).

The Commonwealth Government administers its contribution to VET through the Intergovernmental Agreement on Federal Financial Relations (IGA). Under the IGA, the State receives relatively fixed Specific Purpose Payments and variable payments under multiple National Partnership Agreements that reflect joint medium to long term priorities.

The Specific Purpose Payments received by the State for VET are aligned to the National Agreement for Skills and Workforce Development that was renewed by the Council of Australian Governments on 13 April 2012 and provides Queensland with approximately \$1.4 billion over the five years 2012-13 to 2016-17. The high level objective of the Agreement is a VET system that delivers a productive and highly skilled workforce that enables Australians to develop the skills and qualifications needed to participate effectively in the labour market and contribute to Australia's economic future, and supports achievement of increased rates of workforce participation.

The headline National Partnership Agreement for VET is the National Partnership Agreement on Skills Reform that provides Queensland with access to up to \$356.9 million over the five years 2012-13 to 2016-17. This Agreement replaces the Productivity Places Program (PPP) that concluded on 30 June 2012. The Taskforce heard that while the State had agreed in principle to the National Partnership Agreement, negotiation of a state specific implementation plan with the Commonwealth Government is required before payments under the Agreement commence.

The Taskforce was advised that the primary focus of the new Agreement funding milestones in the first three years is on structural reform of the VET sector. Secondly, the Agreement seeks to reward increased qualification completions and apprenticeship commencements in the final two years of the Agreement. Structural reforms to be progressed under the Agreement comprise:

1. Access and equity:
 - introduction of a national minimum training entitlement to a government subsidised training place to a minimum of Certificate III
 - increased access to income contingent loans (VET FEE-HELP) for government subsidised Diploma and Advance Diploma courses
2. Quality:
 - implementation of State based criteria for access to publicly funded training
 - pilot of external validation of training provider assessment practices
 - publication of quality measures through MySkills website
3. Transparency:
 - improved consumer information
 - enhanced national data collections
 - improved data reporting timelines
 - introduction of a national Unique Student Identifier
4. Efficiency:
 - support for public providers in the transition to a more competitive training system
 - improved government to government information sharing
 - review of the progress by States and Territories against the National Partnership.

While the National Partnership Agreement provides approximately \$50 million less in 2012-13 compared with 2011-12 (which was the last year of the PPP) approximately the same amount of funding is available across the five years of the Agreement. However, as the Agreement requires expenditure on structural reforms, there are fewer funds available for actual training delivery, which is likely to impact on training participation rates, particularly in the early years of the Agreement.

National minimum entitlement

A key driver of reform in the VET sector nationally is the shift towards demand driven funding frameworks for skills and training that in turn will lead to a more contestable training market. The design of a demand driven funding framework for Queensland is critical in terms of increasing participation in skills and training, targeting government funding to investment in the skills needed by industry and attracting increasing third party investment in training.

In this context, the national minimum entitlement is a key initiative to be implemented as part of the National Partnership Agreement on Skills Reform. This initiative is aimed at increasing participation in VET by creating a public expectation that an individual can access government subsidised training through select private and public providers. The Taskforce's advice on implementation of a new funding framework, which includes the national minimum entitlement, is covered later in this Report.

The concept of a demand driven entitlement model is in varying stages of implementation across Australia, with Victoria and South Australia the first to implement.

Victoria introduced the model in 2009, opening its training market to a fully contestable and individual demand driven funding model. Pre-qualified public and private training providers were contracted to deliver qualifications funded by Australian Qualifications Framework (AQF) level to reflect private benefit gained from completion, with associated fees ranged accordingly. In 2012, following substantial review, Victoria refocused its approach to entitlement to prioritise government funding for qualifications according to the needs of industry and the economy and deregulated student fees.

South Australia's introduction to entitlement under the *Skills for All* policy framework more closely reflected Victoria's revised implementation strategy. Beginning in July 2012 with a phased approach to contestability, government funding was linked to industry and individual demand. All Certificates I and II and foundation skills, as well as some industry critical qualifications were fully funded, with a system of caps and incentives guiding student choice in other areas. Training providers have been given fee ranges within which to charge students for subsidised qualifications of lower priority.

The only other jurisdiction to indicate its plan for entitlement is New South Wales. In October 2012, NSW released its policy statement *Smart and Skilled* outlining a plan to introduce entitlement from 2014. Broadly, NSW has indicated its intention to prioritise government investment in line with qualifications identified through industry consultation and labour market research. Select qualifications and skills sets will be funded from foundation to Advanced Diploma and funding will be contestable to TAFE NSW and approved private or community based training organisations. Fees will be applied per qualification and will be commensurate with the level of the qualification gained.

Each state above has or will introduce: income contingent loans for approved government subsidised Diploma and Advanced Diploma qualifications; a strict pre-qualified training provider contracting process; improved information to clients to complement the MySkills national website; and a feedback loop for students and employers.

In addition to reviewing these interstate approaches to entitlement, the Taskforce has undertaken consultations with interstate experts to understand the learnings from early implementation of such funding models. It is clear that mechanisms to promote alignment between individual choice and the needs of the economy and industry are essential, as are proven quality assurance systems and a graduated implementation of contestability to the market.

1.4 A long term vision for Queensland's VET sector

Central to the Taskforce's recommendations and advice is a longer term strategic view about the role and purpose of VET in Queensland that will position the sector to directly support the Government's economic goals and address the key issues and emerging challenges holding Queensland's training sector back. The Taskforce's future vision for VET is therefore aligned to supporting achievement of the Government's economic goals and restoring prosperity to the State.

In this regard, the Taskforce sees Queensland's VET sector as a distinct and valuable component of the education and training system, delivering unique economic and social benefits to the State by skilling people for employability; providing a highly skilled, flexible and sustainable workforce for employers; and prosperous employment and life opportunities for individuals.

Structural changes foreshadowed in the National Partnership Agreement on Skills Reform including introduction of a national minimum entitlement and a shift to demand driven funding, will necessitate a new approach to the roles of public and private training providers.

Reform of Queensland's VET sector needs to drive significant improvements in efficiency and delivery leading to real, industry demand driven employment outcomes that address apparent low levels of investment in training and high costs of training delivery in the State. In terms of efficiency, the scarce government funding for training must be directed towards the skills needed for employment and increasing productivity of the labour market. At the same time, attention is needed to increase investment in training and improve outputs and outcomes from the training system with innovative approaches and efficient training delivery. Fundamental to these reforms is industry leadership.

If these systemic issues are not addressed, the State will not be able to deliver the increases in participation required by industry to grow employment, businesses, improved productivity and prosperity for all Queenslanders.

The Taskforce supports the need for a vibrant, effective and efficient training market in Queensland that features both public and private training organisations, meeting the needs of employers, employees, students and apprentices in a more efficient way. Fundamental characteristics of the shift to a new era for VET in Queensland must be defining and funding the outcomes sought from the State's training system in terms of skills required to grow the economy, with the scarce public funds available, and empowering a competitive training market to efficiently deliver these skills outcomes with greater consumer choice.

With regard to impediments to growing the private training market in Queensland, maximising the level of contestable funding and increasing accessibility for private training providers to suitable government sponsored or owned infrastructure are two key issues that must be addressed.

Recommendation 1.1: The Taskforce recommend a future, long term vision for VET in Queensland based on the following core elements:

- the VET sector is an industry led, distinct and valuable component of the education and training system that supports achieving the Government's economic goals
- the VET sector provides clearly identified and flexible opportunities for skills acquisition and development that are responsive to the needs of industry and in turn provide prosperous employment and life opportunities for individuals
- the VET sector supports increasing the skills profile of Queensland in a way that is flexible and responsive to changing labour market and economic conditions in order to kick-start the next phase of productivity growth.

2.0 Industry engaged VET system

The recommendations and advice in this Report provide the platform for Government to deliver an industry-engaged sector producing graduates ready to enter employment and increase Queensland's productivity.

Fundamental to this platform is putting industry in a position to lead identification of skilling priorities for the State and its regions and, in conjunction with the Minister, directing how these priorities are funded and delivered. It is therefore recommended that Queensland's reformed and revamped VET sector have the following elements:

- an independent, industry led Queensland Skills Commission
- a demand driven funding framework that aligns and prioritises Government's training investment to jobs outcomes and encourages private sector investment in skills and training
- a reformed public provider with greater industry engagement and focus (addressed separately in this report)
- strategic linkages with the schooling and higher education sectors.

2.1 An industry led Queensland Skills Commission

The Taskforce considers that the prime imperative in any reform of the VET sector in Queensland is to ensure that the sector delivers the skills that the State and its regional economies need. It is through the industries and businesses of this State, a number of which are represented by the Government's four pillar sectors, the skilled workforce requirements that will generate the growth in employment required to achieve the Government's targets of a four per cent unemployment rate and an additional 10,000 apprentices within six years.

Within this context the Taskforce considered its Terms of Reference, which clearly state that the Government wished to deliver an industry engaged sector. The Taskforce was asked to specifically consider:

- the alignment of the objectives of the statutory bodies (individually and collectively) to the Government's economic objectives
- the representation of priority industry sectors within those bodies
- the efficiency and effectiveness of the operation of those bodies, specifically whether the body represents good value for money and is achieving its key performance indicators
- the structure of the bodies and if those structures enable appropriately independent advice to Government and allow for effective engagement with industry and relationships with key stakeholder entities.

Background

The Taskforce consulted with a wide range of bodies and individual representatives and considered the analysis provided from the submission process on the current status of industry engagement and the mechanisms required to deliver a truly industry engaged VET sector. The extensive consultation process revealed a range of insights which can be summarised as follows:

- industry leadership of the training system is paramount to any reform
- there should be a clear separation of roles between the VET purchaser and provider/owner roles

- separation of the TAFE entity from the training purchaser would allow for more independent purchasing decisions
- Queensland currently has a confusing mix of market strategies, centralised purchasing and TAFE grants which are poorly aligned with the State's economy and its skill needs
- the role of industry skills bodies in intelligence gathering for the VET sector needs further clarification
- confusion between the role of Skills Queensland and DETE exists and needs to be addressed
- an industry-led Queensland Skills Commission should plan and purchase training determined by economic priorities, other state government priorities, industry skills needs and evidence, and commercial analysis of the Commonwealth-State government national partnership agreement
- as an element of reform, a robust market oversight capacity is necessary to mitigate the risks for government of transitioning investment to more contestable arrangements.

In summary, consultation analysis revealed widespread consistent stakeholder support for a statutory independent skills commission, driven by industry and the employment needs of the economy and with responsibility for VET funding and investment. To be effective and meet these expectations of stakeholders, a skills commission requires a wider mandate and clearer lines of responsibility in terms of role, functions, governance, reporting and funding arrangements than has been enabled through the Skills Queensland model.

The Taskforce has therefore called for the transformation of the previous State Labor Government's Skills Queensland model to assist in achieving the targets and objectives of the LNP Government and of industry. The Taskforce considered a number of structural options for industry engagement and now puts forward the following Queensland Skills Commission model as its preferred position for a truly industry-led VET sector.

Queensland Skills Commission: role and functions

A new industry-led and appropriately resourced Queensland Skills Commission (the Skills Commission) with the following characteristics is recommended by the Taskforce. The options of continuing with the Skills Queensland model and DETE in their current roles, or reversion of industry engagement back to DETE, are not supported by the Taskforce.

Key messages on industry leadership and engagement derived from the Taskforce's consultation process focused on the need for real industry leadership of skills and training in Queensland. The following principles for industry engagement were supported in the outcomes from the Taskforce's consultation process:

- Industry must lead the identification of training priorities for the VET sector, with close alignment between industry engagement and purchasing.
- Industry leadership will ensure training investment links directly to skills development and training that achieves job outcomes and enhances workforce productivity.
- Queensland needs an independent, industry-led body to effectively partner with industry to truly identify the needs of industry sectors, including regional and cross-sectoral needs as well as the needs of small to medium enterprises.
- There must be clear separation between the purchaser and provider roles.
- There must be clear articulation of accountabilities for funding and training outcomes.

The role and functions of the Skills Commission would ultimately be determined by the new governance arrangements as outlined in this section. In this proposed model the Taskforce recommends that the role of the Skills Commission would be to:

- conduct/commission labour market research and analysis to identify skills demand that in turn drives productivity growth in the broader economy
- design solutions that meet the economy's skills needs in the short, medium and long term and support small, medium and large enterprises
- invest public funds into skills formation leading to skilled employment outcomes for the State within an increasingly contestable VET funding environment.

The proposed functions of the Skills Commission would be to:

1. Provide skills and workforce policy advice and recommendations to the Minister and Government, including strategic skills policy leadership and engagement at state and national levels.
2. Re-evaluate and improve the information brokerage arrangements of the Industry Skills Bodies Network and ensure their activities align with an industry driven training market.
3. Gather, elicit and synthesise industry intelligence through multiple sources such as expert research, local communities and industry skills bodies. Map the current and emerging vocational education and training priorities of industry and employers, and their ranking, within and across all sectors of the Queensland economy.
4. Monitor labour market and training system trends, determine appropriate subsidy levels and develop consistent system performance data.
5. Manage and coordinate labour market research.
6. Develop rolling three-year strategic training and employment investment plans to address those skilling priorities, informed by industry, and as directed by the Skills Commission Board in accordance with the policies of Government and a demand driven training system.
7. Determine relative training investment allocations for those priorities, and purchase from, and monitor performance of, VET providers accordingly.
8. Monitor, analyse and report on training and skilling outcomes achieved, and proactively develop interventions to mitigate emerging risks and failures.
9. Direct and/or manage and invest all training and employment funds of government for effective skilling outcomes for industry and individuals, with a focus on employment and economic priorities in a cost-effective and accountable context.
10. Establish effective industry-engagement relationships and arrangements with all segments of industry including small and medium enterprises consistent with these functions.
11. Progressively leverage wider industry co-investment in and/or ownership of the training system.
12. Broker industry take-up of more hands-on involvement in the training system (e.g., at RTO Board level) in hosting trainers for industry currency and professional development, participation in training delivery either by industry personnel or use of industry facilities, etc.
13. Conduct bi-annual skills forums open to all industry and employer groups to develop a unified view on the Queensland economy's skills needs.
14. Provide annual reports to the Minister and Government on outcomes achieved, emergent barriers and policy considerations, and future priorities and opportunities to inform wider policy considerations of Government.

15. Implement any other approved recommendations of the Skills and Training Taskforce as directed by the Minister.

The *Vocational Education, Training and Employment (VETE) Act 2000* will require review and amendment in order to account for the recommended expanded role, functions and additional responsibilities of the proposed new Queensland Skills Commission which would replace the current Skills Queensland model.

Governance

Effective industry engagement in skilling goes beyond having a role in determining government funding priorities. This means that governance of the VET sector needs to be flexible enough to accommodate changing government and industry priorities, support new and emerging industries, respond to user choice and adapt to state and local economic circumstances with minimal disruption to the provision of demand led training and skills.

The Taskforce recommends the Skills Commission be a statutory body separate from the department, focused on strategic intent with the control and authority for the Commission resting directly with the Queensland Government, through the accountable Minister for Education, Training and Employment.

The Skills Commission should report directly to the Minister through an industry-led Board operating to commercial principles. Government would then direct its overarching skills policy objectives and priorities to the Board for implementation within the strategic skills planning and investment strategy for the State. An alternative model proposed by some stakeholders but not adopted by the Taskforce was to establish the Skills Commission within an economic portfolio of Government.

The recommended model is seen as a strong step towards industry leadership of the VET sector. Separation of the purchaser role from the provider will enable the TAFE Queensland parent entity to focus on improved service delivery through rationalising of services, cutting overhead costs, improving capital utilisation and implementing governance reforms for TAFE institutes.

With the Minister identifying the policy priorities of Government, the Skills Commission should be constituted through a commercially-focused Board charged with the responsibility to deliver the skills outcomes required. The Skills Commission Board should comprise:

- a high profile Chair drawn from industry
- senior representatives (typically Chief Executives or equivalents with appropriate commercial skills) drawn from the peak industry bodies and employers of the four pillars and of other major sectors of the Queensland economy, including potentially the health and community services, manufacturing and retail sectors
- at least one representative of the trade union movement.

The Taskforce considers that the Board should be kept to a manageable size but that there may be merit in the Board also including the Directors-General from Premier and Cabinet and Education, Training and Employment and the Under-Treasurer, Queensland Treasury and Trade.

The Board, under direction and approval of the Minister, will need to establish financial and non-financial performance measures and rigorous performance monitoring to ensure the skills system delivers a maximum return in terms of outcomes and value for investment.

The Chief Executive of the Skills Commission should be appointed by the Board, and be accountable solely to the Board through the Chair. It would be expected that the Board would look to appoint a Chief Executive commensurate with the accountabilities of the Skills Commission.

The Chief Executive would not be a member of the Board, and the Commission would provide the secretariat to the Board.

Capability of people

The role of Skills Commission management and staff will be to engage effectively with captains of industry represented not only by modern dynamic industries, but also the needs of small and medium enterprises which constitute such a large part of the State's economy. The focus for the Skills Commission staff will be on the economic growth of the State driven by strategic skills education and training, allowing for the implementation of innovative practices and solutions to achieve results.

The Commission's staffing should provide a mix of skills including high level research, strategic policy and analysis, labour market analysis, contract management, performance monitoring, and other specialist skills sourced from industry and the wider bureaucracy. Selected on both their ability to engage decisively and effectively with industry, both with their board and in the State's broader economy, as well as their expertise, the Commission Chief Executive and staff assure a powerful coordinated industry engagement entity will be established.

Independent economic and industry expertise should also be temporarily 'assigned' to the Commission on a project basis to plan for major emerging skills requirements. Examples include the advent of new industries (e.g., synthetic liquid fuels) as well as skills needs for Government policy priorities such as additional skilled workforce for doubling of food production in Queensland.

Policy and/or other expertise may also be seconded to the Commission from relevant agencies in accordance with Government priorities from time to time on a project basis. To be clear, the Commission itself should be a strategic entity, with a lean core staffing establishment. Operational functions, such as the management of training contracts, would require additional capacity as discussed in the following section.

Funding role

The Taskforce received strong representations through its consultation process that funding for training investment and programs should rest completely with the Skills Commission Board. In the main, the Taskforce was attracted to this model that would see the Skills Commission controlling all training investment and employment program funds approved by the Minister and Government.

To give effect to these arrangements, which would be a significant change to the current Skills Queensland model, the role of contract management could also be integrated with the new Skills Commission, providing an important feedback loop as well as creating a clear, single point of accountability for the outcome of training investment. Conversely, the Taskforce also considered whether transitioning the contract management function to the new Skills Commission would impede the Commission's proposed strategic agenda.

While ultimately decisions about the location of the contracting function are a matter for the new Skills Commission in consultation with the Minister and Government, views of the Taskforce lean to embedding the contract management function with the new Commission.

A key role of the Skills Commission would be to negotiate industry co-funding for agreed skills initiatives. This would allow scarce State Government training funds to be directed into economic priorities via the Skills Commission's purchasing function driving training procurement to address labour market needs such as skills bottlenecks.

The Taskforce considers that Government funds should not be directed into training where there is only a marginal link to the labour market resulting in limited prospects for graduates to gain employment. Budgetary arrangements must allow government contributions to be managed across the forward estimate years to reflect the true cyclical nature of demand.

Industry intelligence

Intelligence on industry skills needs informs the delivery of skills within an overarching economic agenda. To inform purchasing decisions, a key role for the Skills Commission is to gather and assess industry intelligence. The source of this intelligence is primarily the responsibility of the skills bodies. It is through this intelligence that the Skills Commission will drive the detail of purchasing agreements with training providers. While noting the potentially important role of Industry Skills Bodies in gathering and synthesising industry skills intelligence, funding the acquisition of that intelligence should be a matter for determination by the Skills Commission. In this regard, the Skills Commission may also draw upon other sources of information to assess new and emerging skills needs.

Queensland Skills Commission versus the Skills Queensland model

Skills Queensland was established in 2010 in response to industry peak body recommendations to the previous Premier to establish a state Skills Commission to lead on all future skills and workforce development issues for the State and industry. This was meant to include the delivery of VET trade training reform and non-training solutions to skills challenges such as workforce development, labour market participation and skilled migration. The establishment, function, governance and powers of Skills Queensland were enshrined in the VETE Act 2000.

Under the current model, the role of Skills Queensland has been largely limited to providing advice to Government through DETE, with the department having no obligation to see that this advice was actually implemented. Some stakeholders are of the view that this model has proven benefits such as advice to Government and (limited) purchasing of training (through the now discontinued Strategic Investment Fund). Other stakeholders were much more critical in their comments to the Taskforce, pointing to a perceived lack of independence, funding control, industry relationships and influence stemming from enactment of the model.

In short, the predominant view is that the Skills Queensland model as implemented has not been effective in addressing the fundamental strategic skills needs of industry and there is an opportunity to look at how this important role can best be achieved in the future.

As it has been constituted, Skills Queensland lacks the statutory independence, a sufficiently commercial and appropriately representative industry board, funding control, skills planning authority and capability mix necessary to fulfil the role and deliver the outcomes required of a Skills Commission, outlined above as being the Taskforce's preferred model.

Observations during the Taskforce's consultation process that many peak bodies and industry stakeholders perceive themselves as being at arm's length from the State's skills strategy go to the core of the concerns raised with the Taskforce about the current model of industry engagement.

For the future, the Taskforce contend that the role of an independent, industry-led Skills Commission should be focused on industry-wide or state-wide, multi-sector skill shortage resolution.

To achieve this outcome, the current Skills Queensland model needs to be supplemented with the powers and accountabilities necessary to deliver skills outcomes. Industry has told the Taskforce that time is of the essence and that a definitive commitment to the proposed new Skills Commission model is critical to regain momentum lost in recent years.

The major industry groups that collectively supported establishment of Skills Queensland have expressed disenfranchisement with the model implemented. The Board remains flawed through lacking majority commercial experience, being unrepresentative of the State's wider economy, and unaccountable for achieving the skilled outcomes required by the industries driving the economy. The Board of the new Skills Commission must be accountable and have the powers to deliver on those accountabilities.

From many quarters, establishment of Skills Queensland was hampered by essentially excising and rebranding a large component of the training bureaucracy from the department. This approach restricted the resources available to the Skills Queensland entity and its flexibility to restructure and recruit the personnel needed to drive a genuine skills outcome-focused entity for government and industry.

Fundamentally, the Skills Queensland model did not achieve industry's ambition to move responsibility for determination and funding of the State's skilling priorities to an independent, industry-led board. The limited experience of the Strategic Investment Fund operated by Skills Queensland, demonstrates the significant potential to increase industry's co-investment and engagement in skills and training under the proposed Skills Commission model.

The Taskforce contend that this is the first step required to delivering real solutions to the State's skills needs and beginning the collective mobilisation of training capacity to grow the economy.

The Skills Commission model presented in Figure 9 not only meets Government's industry engagement ambition, but allows the Government to put its stamp on and take ownership of a new model based on skills outcomes. This Taskforce recommendation is based on delivering the more far reaching policy objectives of this Government, and not simply an assessment of the past performance of the Skills Queensland model. The nature and extent of any Skills Queensland transition into the recommended Skills Commission is an implementation consideration for the Government and the Board of the new Skills Commission.

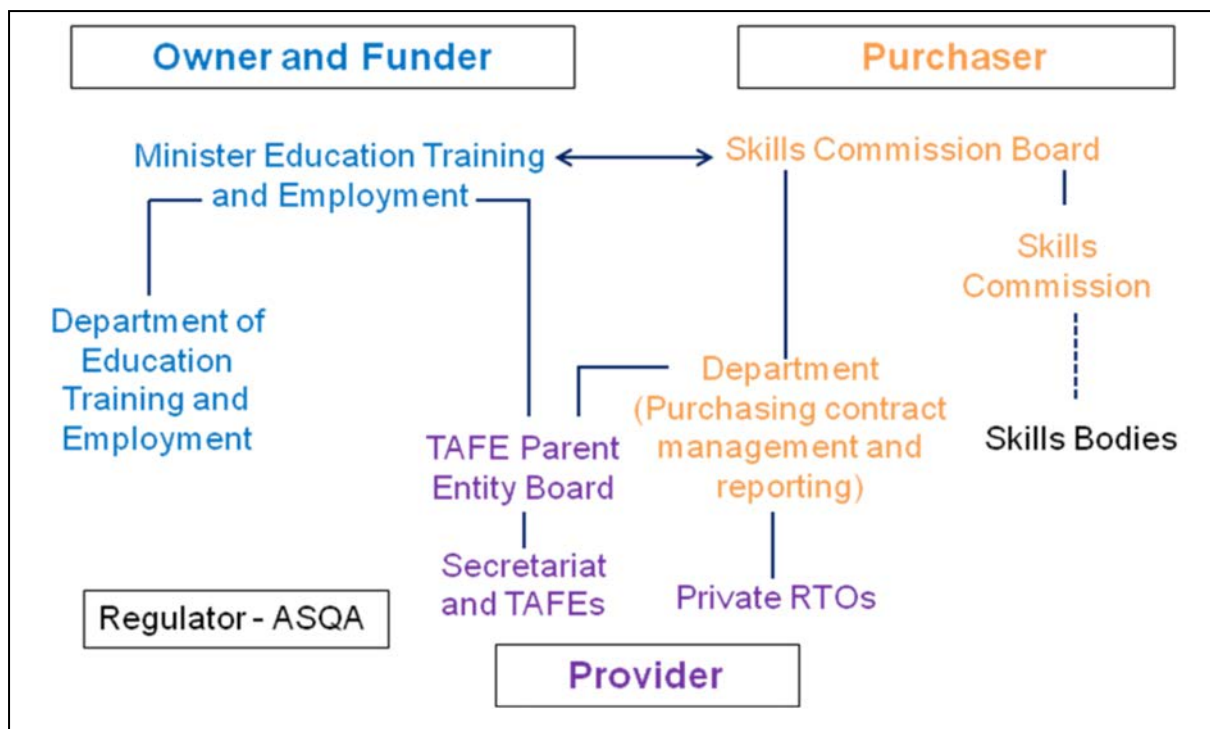
Industry skills bodies are seen as essential sources of industry skills intelligence by the Taskforce. While their capability and role varies, that is a matter for the respective governing industries. The

Skills Commission would be well advised to establish strong relationships with these industry skills bodies centred on sourcing industry skills intelligence. Continuing roles and responsibilities are envisaged for skills bodies with established deep industry skills leadership. Taskforce members familiar with Construction Skills Queensland indicated it was a good example of industry engagement. The Skills Commission should leverage these types of existing industry leadership, rather than replicating or subsuming them.

Within the advisory and industry intelligence arrangements established by the Skills Commission, particular consideration will need to be given to addressing the skills needs of small and medium enterprises, particularly in regional areas.

The Taskforce recognises that there is a regulatory function to Skills Queensland that has not received Taskforce consideration. With the establishment of the Australian Skills Quality Authority, management of any additional regulatory functions transferred to Skills Queensland, such as administration of the apprenticeship system, would need to be addressed as an implementation issue.

Figure 9: Recommended Skills Commission model and VET sector functions



Enabling new industry training models

Industry leadership and engagement need not cease below the strategic VET sector level, indeed the reforms of the public provider can only be achieved with greater industry involvement. However, it is also timely to consider the future training capacity for the four pillar industries.

There are other opportunities that the Taskforce has not been able to consider, which are expected to be enabled by the adoption and implementation of its recommendations. One such option is the proposal from the Queensland Resources Council (QRC) to create a new dedicated industry-focused training capability in Queensland. To be clear, the Taskforce has no recommendation to make on this proposal, but it has been included to demonstrate how some of the recommendations in the Report

could enable some new industry training models. The case study below is for the resources sector but the model could be applied to a range of industry sectors.

New industry training models – A resource sector case study

The Taskforce has been informed by the QRC that the resources sector is well-placed to embrace new training models enabled by the Taskforce's vision for the VET sector.

As a four pillar industry, the resources sector currently has no dedicated training provider. There is no single point of reference with which the resources sector can engage with a diverse and fragmented training system, nor do Queenslanders seeking to work in the industry have a single expert trusted point of information and referral into quality training programs that lead to resource sector employment.

The QRC has developed a concept for a more dedicated and recognised resource sector training entity to work with the new Skills Commission, SkillsTech Australia and leading private RTOs to better meet the resource sector's training requirements. This entity would also become the focal point for leveraging industry training investments and contributions into direct skills outcomes and finally provide a single point of quality referral for individuals seeking careers in the resources sector.

The model sees the resources sector (through the QRC) and Government establishing a training delivery and brokerage operation, not unlike Construction Skills Queensland in concept, working with the Skills Commission and RTOs.

The thinking behind this model is that industry's skills needs are best met by growing the capacity of those existing quality providers who can scale up to meet the opportunities, and by delivering dedicated new complementary training capacity in areas of market skills gaps and failures, or where scale is needed.

Under the QRC model, Government might contribute all or part of a surplus TAFE campus which could be developed as a 'training village', open to quality training providers to co-deliver and even co-locate. Training would be networked into regional areas again through arrangements with existing quality providers, to provide access to all Queenslanders.

QRC members would in turn contribute expertise, industry training capability resources, teaching resources and leveraged co-investments. Once fully sustainable, the Government and QRC may choose to exit on commercial terms.

RTOs and companies would be free to pursue their commercial interests separate from the new provider, but it would be this provider that drives the skills strategy with the Skills Commission for the resources sector, informed by detailed industry intelligence.

The model has potential to leverage outcomes for or even be applied to other industries with shared skill shortages (e.g., skill synergies with agriculture). While focused on delivering timely industry skills outcomes in the numbers required, this model also has the potential to grow the overall capacity of the training market.

Recommendation 2.1: The Queensland Government establish a truly industry-led Queensland VET sector characterised by the creation of an independent statutory Queensland Skills Commission directly accountable to the Minister for Education, Training and Employment.

Recommendation 2.2: The Skills Commission Board comprise:

- a high profile Chair drawn from industry
- senior representatives (typically Chief Executives or equivalents with appropriate commercial skills) from the peak industry bodies and employers of the four pillars and of other major sectors of the Queensland economy, including potentially the health and community services, manufacturing and retail sectors
- at least one representative of the trade union movement.

Recommendation 2.3: The Skills Commission perform the State's VET funding functions.

Recommendation 2.4: The Skills Commission Board prepare advice to the Minister which assesses the options for performance of the VET contracting role including whether the role sits with the Skills Commission or whether this function is purchased by the Skills Commission from DETE or out-sourced.

Recommendation 2.5: Funding the acquisition of industry intelligence should be a matter for determination by the Skills Commission.

2.2 Transforming VET investment

Demand driven funding

As already acknowledged earlier in this Report, compared with other jurisdictions, Queensland has the second lowest level of government investment in training and the equal second lowest level of industry training investment. Additionally the cost of training delivery in Queensland is comparatively high.

Coupled with this, 2012-13 has seen cessation of specifically funded Commonwealth and State training initiatives such as the Productivity Places Program and Skilling Queenslanders for Work. In addition there is a need to invest in systemic reforms including IT systems, reform of the public provider and transparency and data initiatives to meet Commonwealth funding conditions in the National Partnership Agreement on Skills Reform.

These combined factors have significantly reduced the amount of funding available for training delivery in the short to medium term, when compared to funding in 2011-12. As such, strategies to increase individual and industry contributions towards training must complement more effective investment of finite training funds to ensure that industry skills priorities are addressed and individuals are able to more effectively contribute to the economy.

Implementing a demand driven funding framework means focusing on the requirements of the VET system's end-users and the outcomes from training investment rather than gearing investment to support supply-side inputs such as untargeted training delivery measured on the basis of annual hours curriculum delivered.

Consultation conducted by the Taskforce strongly supported the need to target investment in priority areas and structure funding in a way that encourages individuals to participate in training to gain the skills needed by industry and to boost the productivity of Queensland's workforce.

Queensland already operates a demand driven funding model for training of apprentices and trainees under the User Choice program. In moving to a fully demand driven funding model, the Taskforce contends that there will be improved return for the Queensland economy from its investment in VET. Improved returns will come from increased competition for the training places being supported, alignment of public subsidies with employment outcomes via industry engagement, and a more efficient use of the public provider.

Aligning training and job outcomes

Improving the match between training and job outcomes for individuals, employers and industry will be a natural consequence of implementing the Taskforce's recommendations for an industry-led Skills Commission and a complementary demand driven funding framework for VET investment.

These two foundations of an industry engaged VET sector promote timely identification of industry demand for skills (for employment reasons) and allow for funding to be prioritised into a training program for the State to meet these needs. The State may inject other objectives into the training program to meet emerging social priorities, but the major component of the program must be driven by industry's demand for employable graduates from the training system.

A key distinction of the Taskforce's recommended approach to VET investment for Queensland is that funding will be driven by the needs of industry and employers. This will be achieved by way of prioritising investment in, and providing advice to the market and individuals about, the skills and qualifications needed to grow the State's economy.

This approach is fundamental to the Taskforce's recommended vision for *a VET sector that supports achieving the Government's economic goals*, that proactively delivers the skills needs of industry, and recognises the importance of individuals making informed decisions about training and skills.

The Taskforce envisages that the training market will continue to provide for training delivery that is directed towards the needs and interests of individuals. Importantly however, training undertaken by individuals that is not aligned to economic and skills priorities of the State may require a higher level of private contribution, commensurate with the benefits to the individual versus the State as a whole.

Recommendation 2.6: A key component of improving the match between training and jobs outcomes is an informed consumer base. Prospective clients, including employers and students, need to be able to make informed decisions prior to investing in skilling and government requires a mechanism to assist to influence buying behaviour to fill emerging workforce needs.

Improved consumer information available via the internet is required to promote informed choice. To complement the MySkills website and provide meaningful information that is targeted to Queenslanders the Taskforce supports that at a minimum, information be provided on subsidised qualifications and skills sets, pathways, pre-qualified training providers, cost (fees), industry jobs, career pathways and future skills in demand. Ensuring ready widespread access to relevant, quality information will be one of the functions of the recommended new Queensland Skills Commission.

A demand driven funding framework for Queensland

In a truly demand driven funding framework, funding is made available to meet the demand for the outcomes needed. In this regard, advice provided to the Taskforce from Skills Queensland highlighted that the VET sector is the only education sector where government funding doesn't grow directly in line with increased enrolments.

The challenge in shifting to a more demand driven funding model for VET is therefore to increase efficiencies in the existing system, to identify funding from a range of sources to meet demand, and to develop mechanisms to best manage the available government funding.

Recommendation 2.7: A demand driven funding framework, providing for public and private investment, that is responsive to the needs of the economy, industry and individuals within the following four broad categories:

1. Selected Certificate IV and above qualifications, skill sets and other specific priorities with pricing, subsidy levels and caps reflecting industry advice.
2. National minimum entitlement up to Certificate III, meeting the requirements of the National Partnership Agreement on Skills Reform with pricing, subsidy levels and caps reflecting industry advice, economic and government priorities.
3. Foundation skills focusing on literacy, numeracy and employability skills based on industry advice and National VET Equity Advisory Council guidelines.
4. VET in Schools (VETiS) that is targeted towards industry approved qualifications that lead to genuine employment opportunities.

The level of funding for each category will be for the Skills Commission to determine in the context of the Government's stated policies and priorities, and subject to agreement on a base cost for public provision of VET, the investment required for implementation of the National Partnership on Skills Reforms and the total amount of funding available for training delivery.

Importantly, skilling and workforce development priorities developed on the basis of industry advice and labour market analysis will be used by the new Queensland Skills Commission to identify funding priorities, subsidy levels and caps (where required) for each of the four categories of the recommended demand driven funding framework.

Transition to new funding arrangements and entitlement

The Taskforce contend that Queensland's training market is well positioned to move to fully contestable, demand driven funding based on the experience of the User Choice funding program for apprenticeship and traineeship training. This model has delivered high quality training outcomes within a training market providing one of the highest proportions of contestable funding in Australia over a number of years.

The Taskforce proposes that the new demand driven funding model should replace existing funding pools including VET Revenue General (VRG) and User Choice. With the introduction of entitlement, funding for apprenticeships and traineeships will be provided for within categories one and two of the recommended funding framework.

An entitlement model provides a commitment to a government subsidised training place for eligible persons. The national minimum training entitlement is to a Certificate III qualification, and any

necessary foundation skills or lower level qualification through any RTO contracted to deliver government subsidised training.

It is acknowledged that transitional arrangements are required in order to maintain and grow the capacity of the State's training market, allow for development and implementation of new systems and procedures including new ICT systems, and to enact required legislative changes. The Taskforce note that a well-planned and short transition period to 100 per cent contestability of training funds dedicated to entitlement will assist in maintaining markets for publicly funded training delivery established by private training providers under previous programs.

As funding provided through User Choice is already contestable, the key considerations for transition to the funding framework recommended by the overwhelming majority of Taskforce members are establishing the base cost of public provision and planning the transition of funding currently known as VRG to become fully contestable from 1 July 2014.

As identified earlier, the level of funding for each of the four categories in the new funding framework will be based on the advice of the new Skills Commission. In this regard, it is not suggested by the Taskforce that the current funding splits of VRG and User Choice are retained in the new funding model.

Recommendation 2.8: Implementation of the demand driven funding framework occur by applying the User Choice funding model to implementation of the national minimum entitlement as outlined below:

- entitlement be progressively implemented from 1 July 2013, with an initial contestable funding pool established with \$21 million from National Partnership Agreement funds and a matching \$21 million State VET Revenue General (VRG) contribution, noting for example the potential VRG funding freed up as a result of implementation of Recommendations on VET in Schools
- entitlement be fully implemented from 1 July 2014 with 100 per cent of training funds dedicated to entitlement to be contestable, noting that the final amount of contestable funding will be subject to finalising the cost of the TAFE owner's base cost, as recommended elsewhere in the Taskforce's Report.

Funding for training delivery should be maximised through close scrutiny of current corporate office and other overhead costs, and separation of the purchaser and owner/provider.

The Taskforce affirms the importance of publicly signalling to all stakeholders that 100 per cent contestability for entitlement funds be the overarching objective and context, recognising the need for increasing transitional contestability targets in 2013-14. As discussed later in this Report, the level of contestable training delivery funds is dependent on accurately costing the 'non-market' services of the public provider. The Taskforce consider that once this cost is established, it will become possible to test the training market's capacity and willingness to deliver the identified services in a contestable market over time.

Fees and concessions

The Taskforce notes that implementation of the demand driven framework described above will require legislative amendments to allow for variable fee structures. Consideration of fee concessions is also required.

Currently in Queensland the level of Government subsidy for publicly funded training is relatively static because the level of private contribution (i.e., by individuals, employers and industry) is fixed through regulation for public providers and fees charged by private training providers are set contractually to align.

Future fee arrangements will need to be more flexible so that as government subsidies are adjusted to account for industry identified skills priorities, training providers can adjust their fees as necessary to cover their cost of delivery and maintain viability and quality training delivery that meets the expectations of industry and individuals. This is supported by stakeholder advice to the Taskforce which reinforces the need for contributions by individuals, employers and industry to be higher for non-priority qualifications.

The Taskforce is mindful that fees cannot be a barrier to participation if the Government is to achieve its target of four per cent unemployment by 2018 and therefore suggests concessional arrangements to support disadvantaged student cohorts are considered as part of implementing the new funding framework.

The Taskforce has heard that providing access to Income Contingent Loans (ICLs) for government subsidised Diploma and Advanced Diploma courses is a strategy being pursued under the National Partnership Agreement on Skills Reform to remove barriers for individuals seeking to participate in higher level training. ICLs allow students to 'study now and pay later' through the Commonwealth Government's VET FEE HELP arrangements.

2.3 Linkages with the schooling and higher education sectors

The Taskforce supports a clear role for Queensland's VET sector as a distinct component of the State's broader education and training system. As a part of a broader system, the Taskforce has given consideration to linkages of VET with the State's schooling sector and higher education sector with a view to ensuring that these linkages respond to industry and economic needs.

VET in Schools (VETiS)

Since the introduction of the *Education and Training Reforms for the Future (ETRF)*, VETiS has expanded learning options for young people in senior schooling, particularly those who may have traditionally left school after completing Year 10. It has also been attributed to increasing the retention of at-risk students who otherwise would have left school prior to completion of Year 12. VET, more broadly, is also the sole provider of industry specific, occupational pathway training.

The latest Next Steps Survey of Year 12 completers has shown that almost six out of 10 Queensland graduates left school with a VET qualification; and that Year 12 completers with either an Overall Position (OP) or a VET qualification were more likely to be working or studying than those without. This shows that a VET qualification clearly makes a difference to students who do not do an OP, particularly in their transition to the workforce.

In recent years, growth of VETiS has increased dramatically, with both State and Federal policy drivers and initiatives aimed at increasing qualifications and employability prospects of students as they transition out of the schooling sector.

The Taskforce heard that funding policies and the increasing awareness of the value of VETiS for students are contributing factors to the significant growth in students enrolling in these programs.

With regard to School-based Apprenticeships and Traineeships (SATs), Queensland has maintained a significant lead over the rest of the country in terms of the number of SATs since 1997, with the State consistently accounting for around half of all SAT commencements nationally.

The Taskforce noted that growth in SATs pathways is not keeping pace with growth in other VETiS pathways, despite significant VET funding availability for SATs (under the User Choice program).

The QPET Review found that whilst funding for VETiS programs is growing, it is not supported by a clear funding framework.

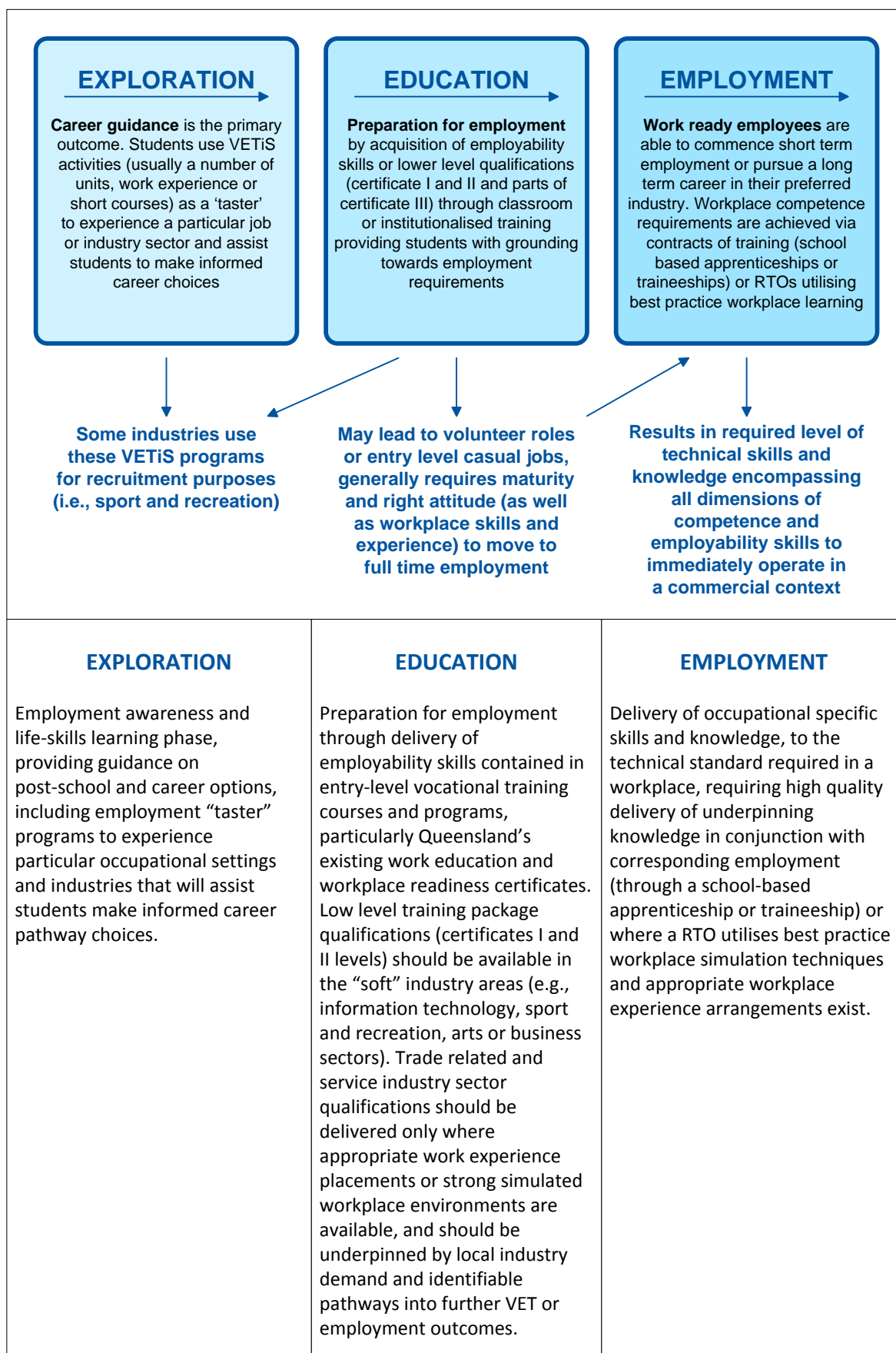
The Review recommended that the Government clarify the funding framework for VETiS based on the principle that each school meets the cost of all Queensland Certificate of Education (QCE) subjects, such that VET funding is used only to meet the additional costs of VET subjects above the average costs of other QCE subjects. The Taskforce supports the view that a clear funding framework for VETiS is needed. Further, the Taskforce considers that VETiS delivered using the State's scarce VET funding dollars should reflect economic and industry demand.

As VET in schools has grown in popularity and coverage, questions about the focus and purpose of VETiS have been raised by key stakeholders. While there is general support in the community for improving school retention rates and outcomes for young people, these outcomes need to be balanced with the VET sector's responsibility to be the provider of industry specific, occupational pathway training, linked to job (and therefore economic) outcomes. The framework for VETiS programs reflected in Figure 10 highlights a range of beneficial outcomes – from career guidance to work ready employees – that can be attained through an effective VETiS program.

Concerns of industry and other stakeholders with the current VETiS system include:

- quality, particularly in relation to simulated work environments versus on-the-job experience
- students gaining multiple VET qualifications at school that may not be directly or indirectly linked to their future employment prospects or aspirations
- increasing investment in VETiS qualifications not aligned to labour market needs
- the unjustifiably low rate of conversion for VETiS qualifications to employment outcomes post school
- adverse impact of chosen qualifications on wage progression post school in some trades and with some employers.

Figure 10: Recommended framework for VET in Schools programs



Source: Gillis, Bateman and Dyson (2011) for the National Quality Council, *VET in Schools: Strengthening delivery and assessment outcomes*.

In 2010-11, the allocation of VET Revenue General (VRG) VETiS funding, exclusive of SATs, which are funded under User Choice, was spread across Industry Training Group (ITG) areas identified in Figure 11.

Figure 11: VET in Schools investment by Industry Training Group 2010-11

Industry Training Group (ITG)	Total funding VRG VETiS	% of total VRG VETiS funding
Hospitality and Tourism	\$7,307,190	18.50%
Engineering	\$3,393,161	8.60%
Arts and Entertainment	\$3,266,130	8.30%
Construction	\$3,092,323	7.80%
Retail Personal Services	\$2,927,250	7.40%
Child Care	\$2,309,126	5.80%
Retail General	\$2,134,012	5.40%
Automotive	\$2,106,326	5.30%
Sports and Recreation	\$2,035,627	5.10%
Primary Industry	\$1,917,191	4.80%
Communications	\$1,468,914	3.70%
Health	\$1,295,928	3.30%
Utilities	\$1,291,976	3.30%
Business	\$1,171,484	3.00%
Other	\$3,848,187	9.80%
Total	\$39,564,825	100%

Source: Department of Education, Training and Employment (2012), internal data sources.

In comparison, Figure 12 shows changes to school-based apprentice and trainee funding (which totalled \$22.2 million in 2011/12) across the top 10 ITGs over the 2010/11 to 2011/12 period illustrating a decline in SATs funding for traditional trade areas such as Automotive and Construction alongside increases in Sports and Recreation, Arts and Entertainment and Hospitality.

Figure 12: Funding for school-based apprentices and trainees (SATs) by top 10 Industry Training Groups (ITGs) 2009/10 - 2011/12

Industry Training Group (ITG)	2009-10	2010-11	2011-12	% change 09-10 to 11-12
Hospitality - General	\$3,086,072	\$3,790,367	\$4,546,588	47.33%
Retail - General	\$1,531,599	\$2,667,400	\$2,837,963	85.29%
Arts and Entertainment - Entertainment	\$214,645	\$1,600,470	\$2,096,754	876.85%
Sports and Recreation - Fitness	\$411,033	\$653,034	\$1,682,948	309.44%
Business - General	\$1,034,917	\$1,410,303	\$1,492,167	44.18%
Communications - Information Technology	\$1,320,383	\$1,444,345	\$1,430,559	8.34%
Primary Industry - Agriculture	\$1,211,403	\$1,504,619	\$1,278,836	5.57%
Automotive - General	\$1,064,708	\$1,161,736	\$1,111,761	4.42%
Construction - General	\$1,276,580	\$1,130,096	\$951,042	-25.50%
Sports and Recreation - Community Recreation	\$523,323	\$660,420	\$937,820	79.20%
Total Top 10 ITGs	\$11,674,662	\$16,022,790	\$18,366,437	57.32%
Total	\$15,839,504	\$20,179,279	\$23,335,456	47.32%

Source: Department of Education, Training and Employment (2012), internal data sources.

Recommendation 2.9: There is a clear role for VETiS into the future, within a strictly applied framework that supports achievement of the Government’s economic goals, however, Government’s VRG investment in VETiS needs to be focused on employment outcomes and aligned to the skill needs of industry

Recommendation 2.10: A new funding framework for VETiS should reflect the categories of ‘Exploration’, ‘Education’ and ‘Employment’, with the principle that VRG funding would only support the third category of ‘Employment’, that is the delivery of occupational specific skills and knowledge to the technical standard required in the workplace, in areas of priority identified by industry. (Figure 10).

Recommendation 2.11: The Taskforce recognise the important role VETiS plays in supporting student transitions through the ‘Exploration’ and ‘Education’ categories. The Taskforce recommends that pathways to support student transitions through ‘Exploration’ and ‘Education’ categories should continue to be made available to young people and funded outside VRG.

VET and higher education

The Review of Australian Higher Education Final Report, the Bradley Review (Bradley, Noonan, Nugent and Scales, 2008) advocated that the VET and higher education sectors work more closely together in order to deliver a seamless tertiary sector that delivered education and training more effectively.

Notwithstanding the need to define a distinct role for VET as a separate, necessary and distinct component of Queensland's broader education and training system, the Taskforce acknowledges that better integration between VET and higher education may be required into the future to support changing labour market and economic needs.

VET providers have for many years played an active role in providing seamless pathways that support student learning progression from school to VET and higher education. Vocational education affords a safe, industry focused learning environment in which a typically non-academic student can thrive through a blend of practical and theoretical learning.

The Taskforce heard that an effective and enhanced VET and higher education interface is likely to support achievement of National Partnership Agreement on Skills Reform training outcome targets by positioning VET qualifications not only as worthwhile qualifications for employment in their own right, but also as stepping stones to higher qualifications and professional employment opportunities. In turn, improved collaboration between VET and the higher education sectors can also act to increase participation by broadening the tertiary education experience, thus strengthening the skills base of the economy.

The Taskforce recognises that, in some instances, university and higher qualified VET graduates are increasingly competing for the same jobs as the needs of employers and the labour market change. While many employers in this category prefer VET graduates with higher level qualifications, given the direct link between VET qualifications, the workplace and the skill needs of industry, more and more are opting for degree qualified graduates.

In this context, the Taskforce acknowledges that more integrated approaches between VET and higher education may provide a platform for students with applied learning styles to move seamlessly between the two sectors to gain the required workplace skills along with academic qualifications. This approach offers employers work ready graduates with academic and applied industry experience.

The Taskforce noted the Queensland Government's recent decision to provide in principle support for establishment of Queensland's first dual sector institution through a merger of the Central Queensland University and the Central Queensland Institute of TAFE. Other models for increased integration between the sectors presented to the Taskforce include:

- partnership arrangements between one or more TAFE institutes or private training providers for the delivery of course components or sharing of resources
- establishment of internal organisational structures responsible for facilitating articulation and credit transfer arrangements
- establishment of a separate organisational unit of the university that delivers VET courses (i.e., the university becomes a VET provider or VET training providers offering higher level programs such as distinctive VET delivered Associate Degree programs).

Each model of integration between VET and higher education generates its own risk-benefit profile, for example, it should not be simply presumed that access to degrees through TAFE or private training providers would necessarily be financially sustainable or have no impact on the higher education sector, or the State's skills and education profile.

The Taskforce's deliberations have identified the need for a clear set of guiding principles to inform future strategic decisions about linkages and partnerships between VET and higher education sectors. The Taskforce considers that while private training providers are free to pursue their business interests in potential collaborations with the higher education sector, the nature and particularly the timing of greater integration between the publicly funded VET sector and higher education should be conditional on the following principles:

1. The role of VET providers in the interface with higher education varies depending on their qualification profile, location in some instances and strategies adopted by local universities.
2. Individual VET providers would benefit from a strong and forward looking plan for their engagement with the higher education sector.
3. VET and higher education partnerships be characterised by stronger pathways and clear articulation processes for learners between the two sectors.
4. Approved integration measures must avert duplication within or across both sectors.
5. The Commonwealth Government is the established and recognised funder and regulator of university programs.
6. Scarce state public VET funding should only be invested in joint VET-higher education programs in Queensland where there are demonstrable strategic benefits for the State.
7. The VET sector's priority must remain the delivery of quality vocational skills sets and/or qualifications for individuals and employers in numbers and timeframes that sustain the growth of the economy.
8. Enhanced information sharing and access between the sectors and with students and employers, to better inform all stakeholders, is essential for closer integration.
9. Implementation of the Taskforce's recommendations for TAFE reforms is a prerequisite for effective engagement on closer TAFE/higher education integration.
10. The recommended new Skills Commission should lead systemic policy engagement with the higher education sector around closer integration with the VET sector, building on the existing Ministerial Higher Education Forum.

Recommendation 2.12: The Queensland Skills Commission and the State's higher education sector broaden their level of engagement to ensure that a structured dialogue on skills for the economy occurs, with the results of this dialogue made public. With the Minister's approval, this could commence as an adjunct to the Higher Education Forum.

The Taskforce consider that the TAFE Queensland parent entity should determine the timing and nature of any further steps towards closer integration by TAFE with the higher education sector in the context of progress towards achievement of priority approved TAFE reforms.

3.0 TAFE Queensland

3.1 Background

A number of reviews of TAFE Queensland have been undertaken in recent times to inform the future direction of the State's public provider, all delivering similar findings. The three most recent reviews of TAFE Queensland are:

- Boston Consulting Group – Efficiency and Effectiveness review (October 2005)
- Allen Consulting Group – Queensland Post-secondary Education and Training (QPET) Review (November 2010)
- Ministerial Taskforce for the Transformation of TAFE Queensland – Interim Report (March 2012).

Based on its consultations and deliberations, the Taskforce asserts that these previous reviews have, in the main, identified the issues and appropriate recommendations for reform. What is largely required now is not extensive new advice or recommendations for action, but rather Government preparedness to grasp the nettle, challenging the entrenched status quo arrangements and asserting Government's policy directions and requirements.

Structural changes foreshadowed in the National Partnership Agreement on Skills Reform, including introduction of a national minimum entitlement, and a shift to demand driven funding will necessitate a new approach to Queensland's VET system and the roles of public and private training providers.

In 2005, the Boston Consulting Group's Efficiency and Effectiveness Review informed the development of the Queensland Skills Plan. Notably, strategies from the Review that were included in the Queensland Skills Plan included:

- a move towards autonomous models of governance for TAFE institutes and the formation of specialised institutes to deliver for example trade training
- leveraging to provide a greater contribution from industry to training outcomes
- separating the role of the purchaser and provider of VET
- a capital works program that included disposal, refurbishment of TAFE assets and future land acquisitions.

The most recent review was the QPET Review which recommended a three-year transformation of TAFE Queensland based on the principle that TAFE's future lies in being the dominant and preferred provider in a growing training market with diverse revenue sources. A Ministerial Taskforce was established subsequent to the QPET Review which delivered the Transformation of TAFE Queensland Interim Report in March 2012.

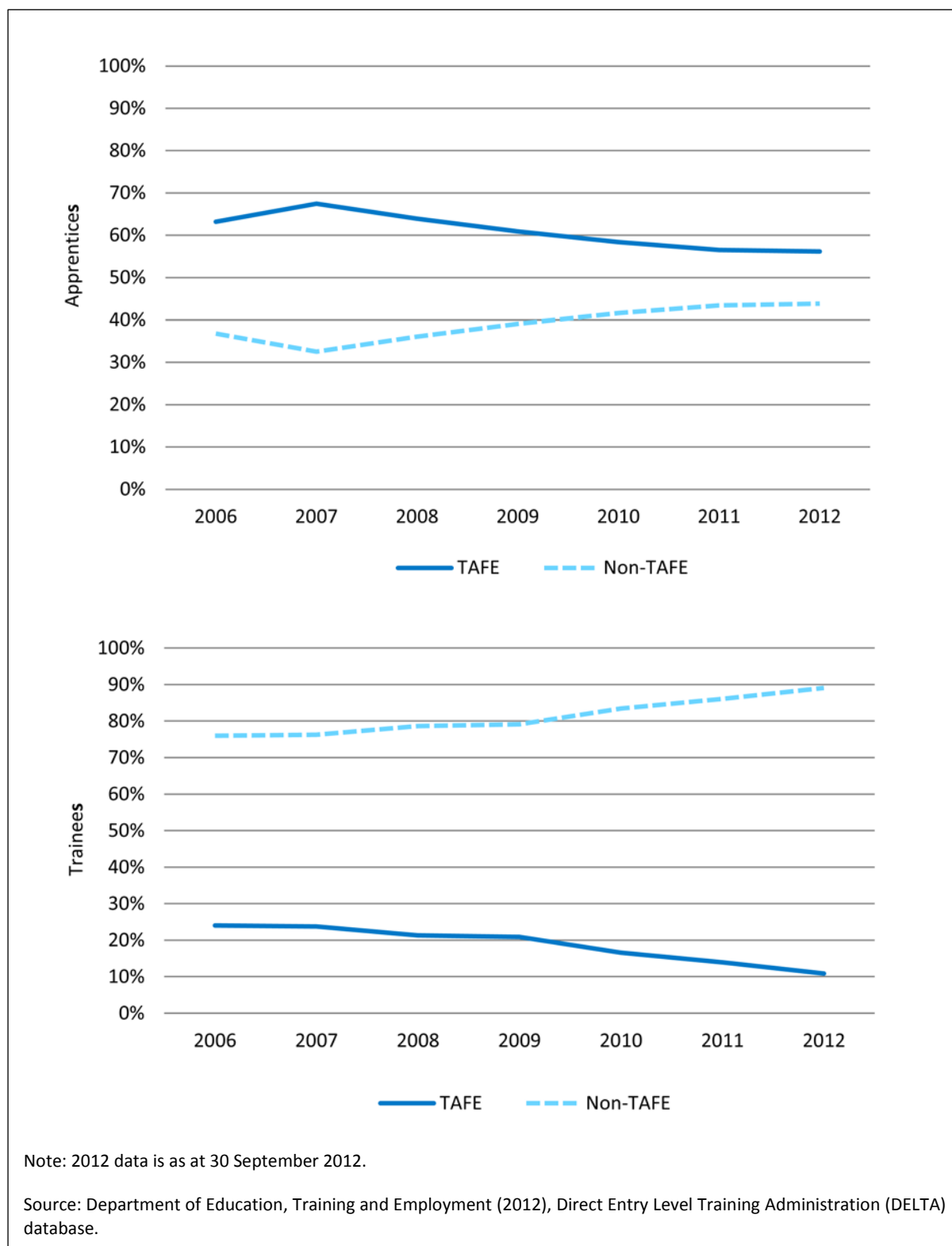
The consistent findings and recommendations from these reviews identify the following high-level challenges facing Queensland's public provider across the system:

- a lack of clarity about the role of TAFE as a public provider and about the mission, structures and assets of individual institutes
- loss of market share to non-TAFE providers as the level of contestable funding increases
- inability to compete on price in a highly price sensitive market environment
- high exposure to economic impacts, including international market decline
- relatively low earning margins and overall surpluses that limits capacity to reinvest in capital and research and development that provides a competitive advantage
- an asset base that is in many cases not fit for purpose and at significant risk of degradation due to lack of funding for maintenance
- a shortfall in ongoing capital funding without the ability to invest in new infrastructure (as a consequence of low earnings margins and overall surpluses)
- an out-dated industrial relations and employment model derived from a different era and organisational framework, that is not sustainable, and lacks flexibility to offer responsive and customised training in a competitive training market
- complex decision making environments and a lack of ability to make local level decisions
- out-dated enterprise IT systems that no longer meet operational business requirements
- a hybrid, two-tier collective governance model including two statutory institutes and 11 departmental institutes.

Figure 13 demonstrates the decline in TAFE market share with increased competition from private training providers for apprenticeship and traineeship funding. This trend is expected to continue as funding for VET training delivery becomes increasingly contestable across the sector not only from local private providers but also via the inevitable entry of international providers into the market.

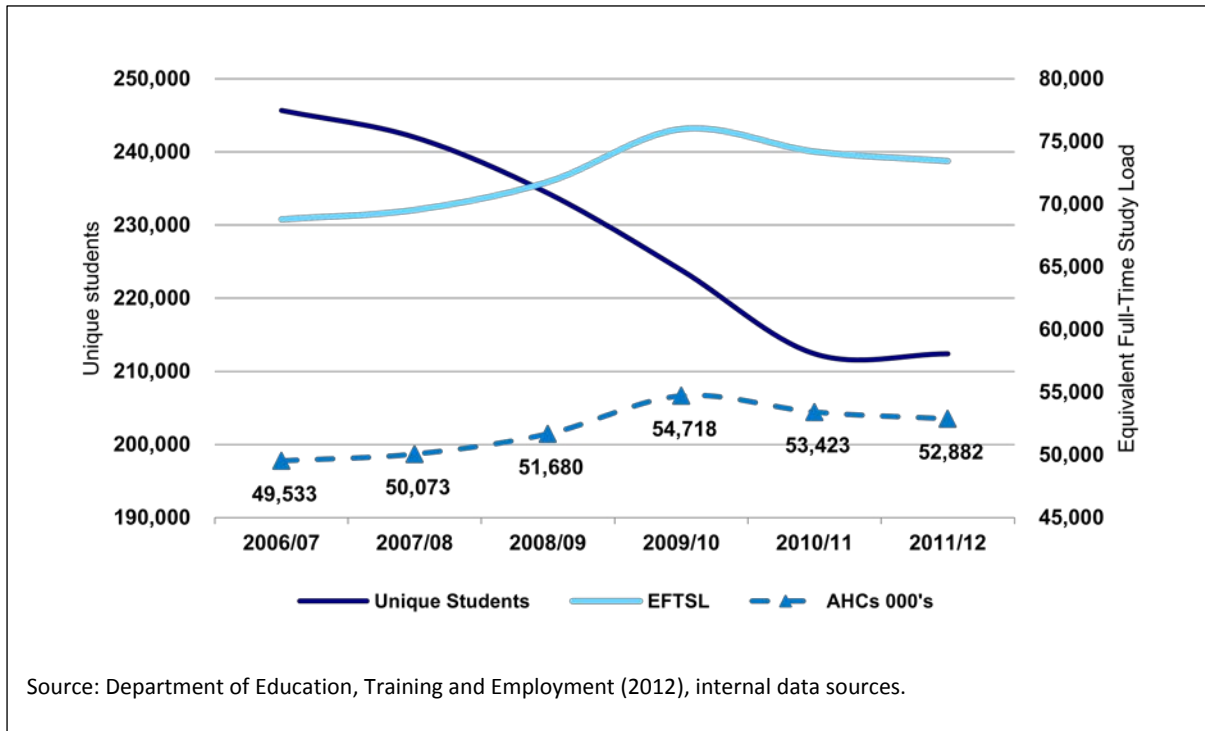
TAFE must undergo transformation to succeed in this environment.

Figure 13: Trends in apprenticeship and traineeship commencements for TAFE and non-TAFE training providers 2006-2012



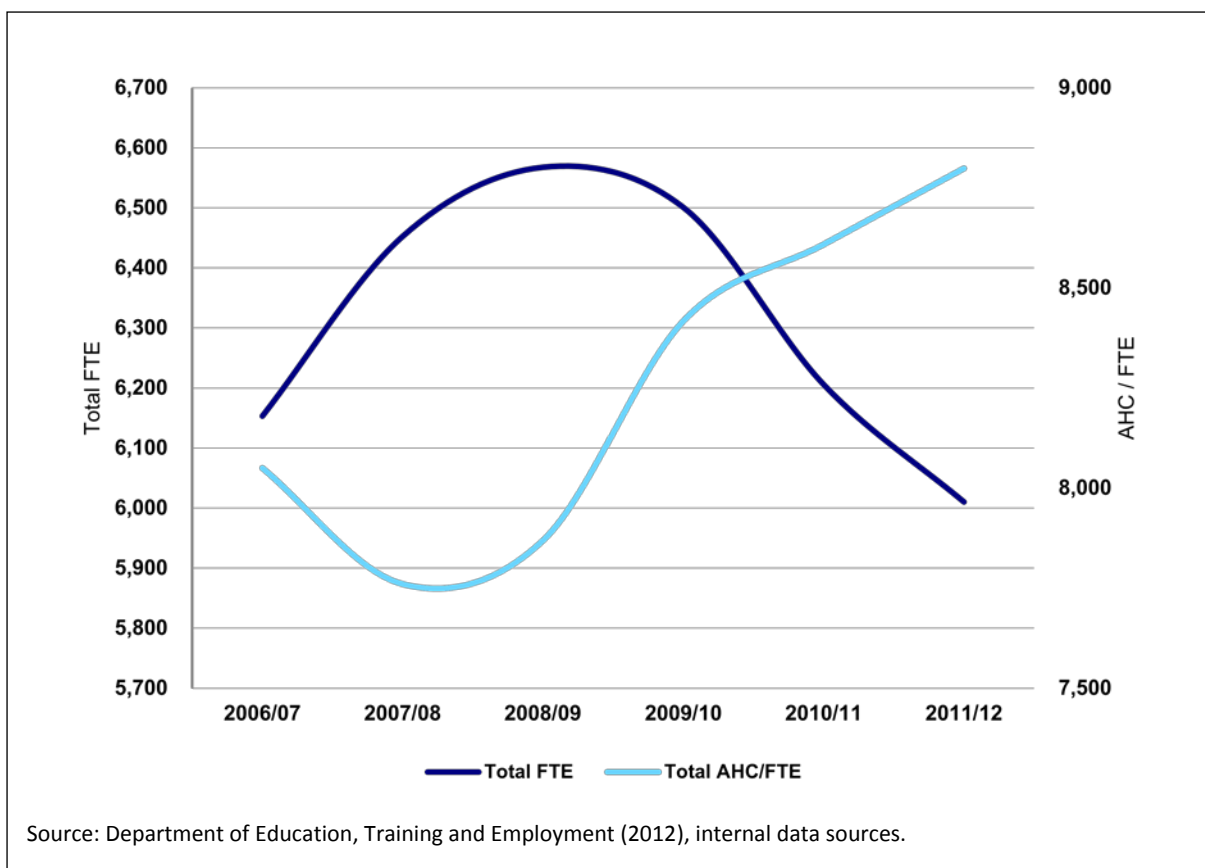
Even with declining market share and a decreasing number of students accessing training through TAFE Queensland over the past five years, institutes have continued to maintain annual hours curriculum (AHCs). This can be explained in part by the delivery of higher level skills as shown in Figure 14.

Figure 14: TAFE Queensland output



Productivity gains have also been made through the depletion of staff numbers as illustrated in Figure 15.

Figure 15: TAFE Queensland productivity



However, as previous reviews also identified, in the current TAFE environment of high numbers of non-teaching FTEs, high employee expenses (over 60 per cent of revenue), high property and building expenses and low non-government revenue sources, this level of performance is unsustainable in the longer term.

Further, an analysis of the Queensland TAFE system undertaken by the department identified:

- *fixed costs* averaged 80 per cent of Institutes' cost base therefore limiting TAFE's ability to adapt to changes in revenue
- *non-teaching* FTEs averaged 52 per cent of the total TAFE workforce
- *average utilisation of building assets* varied from 40-70 per cent Monday to Friday between 8.00am and 6.00pm, with evening utilisation reportedly in single digits
- *variances in revenue rates* for commercial and international training exists between metropolitan and regional centres, largely due to access to markets in remote locations.

Taskforce consultation with TAFE stakeholders confirms a general acceptance of these challenges and recognition that there is an urgent need for change. The Taskforce acknowledges a widespread appetite for reform with TAFE Queensland, however it is not clear that an appreciation of the necessary scope of reform is shared by all TAFE stakeholders.

The Taskforce's approach to its task to identify a future strategic direction for TAFE Queensland consists of recommendations for:

- a clear future role and purpose for TAFE Queensland
- strategies to ensure the future financial viability of TAFE Queensland in an increasingly contestable training market
- establishing the right structure and governance to ensure accountability, value for money and long term co-operation with industry
- appropriate funding for transition
- a well-developed performance measurement and reporting system.

The Taskforce recognises the concerted and continual efforts by all Institutes to achieve operational efficiencies in an ever tighter fiscal environment and wishes to further support these efforts by providing recommendations focused on enabling the future financial viability and performance of the public provider.

The Taskforce view the following recommendations as an opportunity for TAFE to contribute on all levels, focusing on quality training delivery aligned to job outcomes, whilst recognising the pivotal role that each institute plays in their community.

To be clear, the Taskforce notes that reform must be embraced internally, as well as externally. TAFE cannot be merely a passive recipient of reform measures - its future will lay increasingly in its hands as reform unfolds.

3.2 A future role and purpose for TAFE Queensland

The Taskforce agrees that there is a role for a public provider of VET in Queensland and that role is one of training for economic and employment priorities. The Taskforce notes that TAFE Queensland has not been able to articulate a clear distinct role for itself, other than in terms of factors such as community service obligations (CSOs), services to target groups and an ability to deliver on Government priorities, all of which have been assumptions in previous reviews. Arguably, being a

public provider is not a requirement to deliver these services. In such a scenario, without privileged and funded roles, TAFE would be operating in a fully contestable market where its success would be driven by performance and market satisfaction.

The ongoing relevance of TAFE Queensland will be driven by success in the competitive training market, rather than any innate and unique responsibility of government to support a public provider. The Taskforce acknowledges that TAFE Queensland itself seeks a deeper, meaningful *raison d'être* for its role, however it has struggled to assert a clear role itself to the Taskforce.

The QPET Review identified a future for TAFE Queensland as the dominant and preferred provider in a growing training market with diverse revenue sources and the Interim Report of the Ministerial Taskforce for the Transformation of TAFE Queensland proposed that TAFE Queensland's unique contribution to the Queensland VET market can be defined as:

- having full service providers across disciplines and all AQF levels
- having providers that provide a benchmark for quality, with embedded and long standing standards for teaching and learning and the management of complaints
- being able to provide universal access across regions and cohorts
- having the capacity to service expensive programs, learning resources and technology in specialist areas and their markets.

The Taskforce sees no value in it trying to define a role around suggested concepts such as market stability, or being a publicly funded dominant provider, or sole provider of CSOs. The former is potentially at odds with the core requirement of quality training, a dominant provider is at odds with competition policy and best use of scarce limited public funds, and the latter CSO argument is undermined by being almost universally contestable in today's well developed market.

Nationally, reforming the public provider is an issue facing many states and territories as the national VET system shifts to an increasingly competitive and demand driven funding model that has resulted in a declining market share for public providers.

The Taskforce considered the role and purpose of the public provider on a broad continuum where, at one end, TAFE may only provide core services in areas of market failure, through to the other end of the continuum where TAFE would be a fully commercialised provider of VET in a fully contestable open training market.

Recommendation 3.1: The role and purpose of TAFE Queensland into the future is to deliver skills and training that are responsive to the needs of industry and Queensland's economy and, where identified, to deliver clearly defined Government priorities that cannot be otherwise delivered in a contestable market.

In coming to a view about the future of the public provider, matters taken into account were:

- opportunities to capitalise on existing competitive advantages and embrace new delivery modes, including digital on-line delivery technology
- the maturity of the VET market and the private training sector
- shifts towards contestable, demand driven funding including CSOs and Government priorities that may become contestable in the broader training market over time.

The Taskforce's recommendation is consistent with the National Partnership Agreement on Skills Reform, agreed in principle by Queensland's Premier on 13 April 2012. This Agreement includes a commitment to develop strategies to support public providers in a shift towards a more effective VET sector which is responsive to the needs of students, employers and industry.

3.3 Financial viability of TAFE Queensland

Ensuring the viability, including financial viability, of Queensland's public provider of VET is at the core of the considerations of the Taskforce's Terms of Reference.

Recommendation 3.2: The base cost of the public provider, constructed on clearly defined and transparent parameters, should be identified as a priority.

Recommendation 3.3: Adequate funding to support the agreed transition of TAFE Queensland to a competitive entity within VET should be quarantined for a pre-determined period, separate to any non-contestable base funding and fully contestable government funding for delivery of VET.

The Taskforce notes that the department is undertaking work to model the base cost of the public provider based on adoption of an 'entitlement' model under the National Partnership Agreement and industrial relations, asset management and structural reforms set out later in this Report.

The Taskforce was provided with an overview of the current constraints and challenges facing TAFE Queensland which identified the following key issues:

- institutes are at best at the margins of viability, with future expectations that planned increased contestability in the marketplace, along with strong competition from the private sector will see a need for greater levels of efficiency and effectiveness if TAFE Queensland is to remain viable
- whilst in 2011/12 TAFE Queensland reported a combined surplus of \$1.9 million, effects of reductions in Commonwealth Government training funding and instability in both the commercial and international training markets means that TAFE Queensland is budgeting a deficit position in 2012/13 with the potential for sustained deficits into the future should structural reform not be undertaken (as summarised in Figure 16).

Figure 16: Financial performance and staffing in non-statutory institutes

	2009/10 actual	2010/11 actual	2011/12 actual	2012/13 budget
Revenue	\$634m	\$630m	\$682m	\$646m
Bottom line	\$4.4m	-\$4.4m	\$1.9m	-\$4.75m
Full time equivalent staff	5,246	5,034	4,852	4,521
Total qualifications	63,363	66,208	59,211	62,947
Total annual hours curriculum	41,770,063	41,165,668	40,681,734	39,813,232

Source: Department of Education, Training and Employment (2012), VET System Reporting system 2012.

Findings from the aforementioned recent reviews of TAFE Queensland support this analysis and identify the following systemic issues in relation to financial viability for TAFE Queensland. These systemic issues were also well acknowledged in consultations with stakeholders including Institute Directors, TAFE Council Chairs and the Chairs of the two Statutory Institute Boards and include:

- low earning margins and overall surpluses that limit the capacity to reinvest in capital and areas that provide a competitive advantage
- an asset base that is at significant risk of degradation
- no capacity to divest underutilised or surplus capital assets
- a shortfall in ongoing capital funding without the ability to invest in new infrastructure (as a consequence of low earnings margins and overall surpluses)
- high costs of training delivery.

Analysis presented to the Taskforce identified that encumbrances relating to industrial relations arrangements, TAFE's asset base, extent of overheads and its current organisational structure prevent TAFE Queensland from currently being competitive, particularly on price in the marketplace. The Taskforce agreed that significant reform in these areas is required as outlined in the following sections of the report.

3.4 A contemporary employment model for the engagement of staff

Consultations undertaken to support the Interim Report of the Ministerial Taskforce for the Transformation of TAFE identified an almost universal view that the current industrial relations arrangements restrict flexibility in terms of hours of work and staff utilisation, create uncompetitive costs and are inconsistent and out of date with current training arrangements and strategies.

Analysis presented to the Taskforce identified that the current employment model for TAFE teachers reflects the conditions of secondary teachers that existed when TAFE systems separated from secondary and technical school systems in the 1970s and 1980s. Since that time, major shifts have occurred in delivery models (e.g., online and mobile learning) and in the demands of learners and employers (e.g., delivery at a client's factory floor or corporate office). These have impacted significantly on the expectations of the work undertaken by TAFE workforce.

A common finding of all recent reviews of TAFE Queensland is the need for institutes to have more flexibility in terms of staffing and industrial relations provisions to meet the increasingly diverse needs of VET sector clients.

The TAFE teachers' award prescribes a 36.25 hour week, only 32 hours of which can be programmed for duties related to teaching delivery. Of the 32 programmable hours no more than 21 hours can be programmed in any one week for teaching. Typically, all teaching hours in excess of 21 hours incur additional overtime payments to teachers. An additional provision which contributes significantly to the low utilisation of TAFE facilities in the evening is that an hour of teaching after 6.00 pm is counted as 1.5 hours toward the weekly total of 21 hours – or else is paid at time and a half.

The TAFE teachers' award also provides for five weeks of non-attendance time in addition to the four weeks of recreation leave. This non-attendance time is considered by some staff as additional leave. TAFE teachers only undertake scheduled work of 32 hours for 39 weeks a year, and less if overtime is worked.

In addition, class sizes are restricted to 14 students for trade delivery where workplace health and safety is high risk and 24 students for non-trades delivery. The use of casual/sessional teachers is restricted and measured against tenured staff.

Analysis provided to the Taskforce shows that the estimated financial disadvantage due to base salaries compared with the private sector is in the order of 15 per cent. This disadvantage is further compounded by the abovementioned restrictive terms and conditions in the current TAFE Queensland award that impact potential productivity by an estimated additional 30 per cent. This is due to penalty rates, restrictions on contact time per week (21 hours versus 30 hours or greater) and spread of hours, class size restrictions and mandatory non-attendance time in addition to non-contact time.

Consultations with TAFE Institute Directors and TAFE Council Chairs identified that provisions of the current Award are impacting on the ability to increase utilisation of facilities by way of allowable contact time and in particular utilisation outside the hours of 8.00am to 6.00pm.

The overtime and spread of hours provisions of the Award may also potentially be linked to reducing levels of access and participation, which should be a key consideration of training providers.

The Taskforce recognises the professionalism of individual TAFE teachers and their commitment to students. Many teachers work hours well beyond those set out in the Award. However, advice to the Taskforce is that many TAFE teachers have accepted voluntary redundancies in recent years, with little replacement of these staff under current conditions. Instead, use of contract, sessional and casual staff is becoming more widespread. A clear concern is that the current employment model does not provide a sound basis for renewal of the TAFE workforce.

Recommendation 3.4: A new industrial arrangement for the TAFE workforce is essential in order to deliver gains in flexibility and productivity - as well as recognising the importance of sessional and casual staff to the TAFE workforce - to support the viability of TAFE Queensland.

Recommendation 3.5: The Government pursue a revamped industrial relations arrangement for the TAFE workforce that addresses, at a minimum, the following:

- the need for a wider spread of hours and contact time, including removal of the in-built systemic barriers to evening classes
- the current practice of non-attendance time becoming de facto additional annual leave
- implementation of industry competitive overtime arrangements
- the ability of management to have full discretion in engaging casual staff
- greater class size flexibility.

Any new employment model must also provide career pathways, performance measures and appropriate professional development support. It is essential to recognise that the scale of changes required across the TAFE system and as outlined in this Report cannot be achieved without the commitment and support of the TAFE workforce. The process of building an understanding of the need for change must be a top priority as part of implementation of the package of reforms.

3.5 Smarter asset management strategies

The TAFE Queensland network consists of two statutory and 11 non-statutory TAFE institutes that conduct training across 95 campuses. The present book value of the asset portfolio is approximately

\$1.4 billion with an estimated replacement value of \$2.1 billion. The estimated market value of the asset portfolio is unknown and the average age profile is 27.3 years. Recent reviews have:

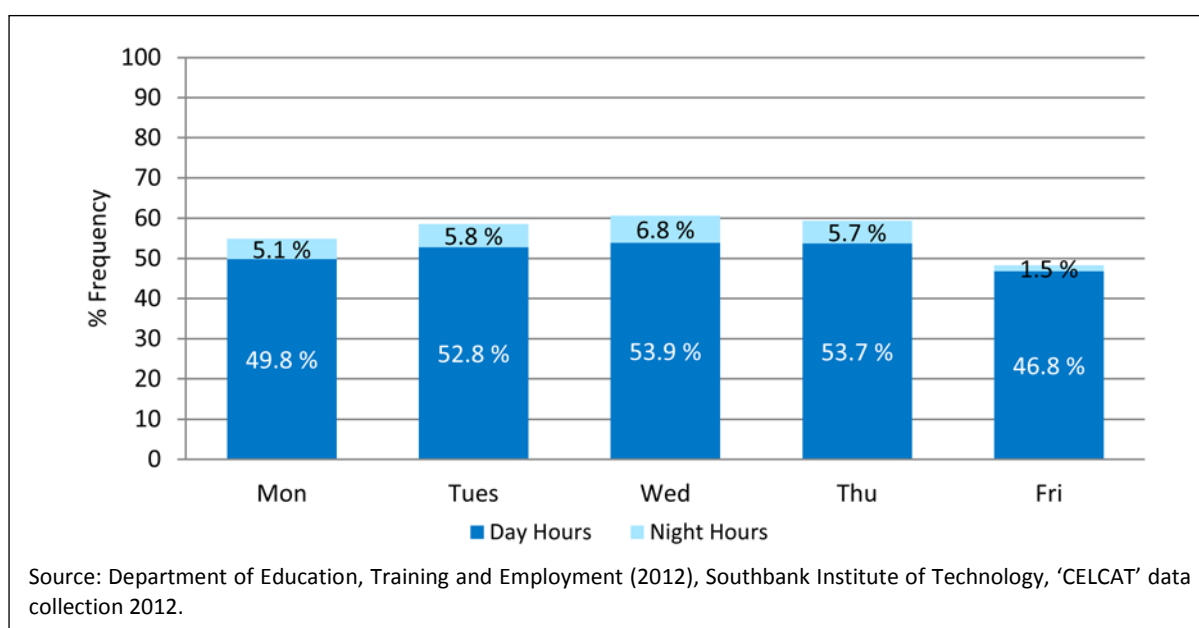
- identified utilisation of TAFE Queensland’s assets is low
- found the asset base is relatively small (in comparison with other jurisdictions) and at significant risk of degradation
- recommended a major asset review be undertaken
- identified a shortfall in ongoing capital funding without the ability to invest in new infrastructure (as a consequence of low earnings margins and overall surpluses).

Analysis shows that capital utilisation and capital investment are major influences on TAFE operational efficiency. They directly influence: depreciation costs; delivery of quality services and products; high quality learning environments; capacity in growth areas; and the need to balance campus based provision with learner and industry expectations for flexible and work-based delivery.

While current utilisation rates of assets across the TAFE Queensland network is unknown, estimations presented to the Taskforce indicated that utilisation on a Monday to Friday basis between the hours of 8.00am to 6.00pm is on average 40 per cent with higher utilisation in peak times between 9.00am and 3.00pm, predominantly from Tuesday to Thursday inclusive.

The example of Southbank Institute of Technology illustrates the general perception of asset utilisation presented to the Taskforce. Southbank Institute of Technology has the smallest useable floor (UFA) area of any institute in Queensland and has the highest output in terms of Annual Hours Curriculum. Figure 17 shows that the highest utilisation Southbank Institute of Technology achieves is 53.9 per cent during day time hours (8.00am to 6.00pm) and 6.8 per cent during night time hours (6.00pm to 9.00pm). Figure 17 also shows that the lowest utilisation rates of less than 50 per cent are achieved on Monday and Friday with the highest utilisation rate achieved on Wednesday.

Figure 17: Asset utilisation at Southbank Institute of Technology (SBIT) – Semester 1, 2011



Information presented to the Taskforce from the department and through consultation with stakeholders (including TAFE institute Directors and Chairs) confirmed assertions in recent reviews that a new approach to asset management is urgently required.

The Taskforce considered advice on a range of asset management strategies presented by the department based on previous reviews of TAFE Queensland and further internal analysis.

Recommendation 3.6: As a result of this work, and consultation with stakeholders, the Taskforce agrees that a range of strategies will be required to substantially reduce TAFE Queensland's current infrastructure footprint and increase utilisation of assets to ensure longer term viability.

Ongoing issues that impact on the viability of TAFE Queensland include a capital works program shortfall of \$75 million resulting from approved asset disposals that have not been achieved and overruns in project expenditure from the Queensland Skills Plan. In addition there is a projected and increasing deficit (nominally \$508 million over 30 years) resulting from the Public Private Partnership agreement for Southbank Institute of Technology. While these issues were not considered by the Taskforce in detail, it is considered that they need to be factored into any future strategies designed to ensure the financial viability of TAFE Queensland.

Recommendation 3.7: A strategic asset management strategy be immediately set in train under a central point of Government in consultation with relevant stakeholders and subject to appropriate governance and oversight. The strategy should address:

- value-added solutions to the management of existing assets and examination of leased and/or shared facilities
- increased and optimal utilisation rates and accompanying incentives and capital charges
- consolidation of existing TAFE campuses
- strategic disposal of surplus infrastructure
- the percentage split between return of proceeds from sales of surplus TAFE infrastructure to consolidated funds versus ensuring sufficient, ongoing, capital funding to address recommendations of recent reviews and to sustainably manage and maintain the asset base over the longer term
- a range of strategies for the ownership, management and maintenance of the future stock of public training assets including consideration of a separate public or private entity with specialist skills and expertise in infrastructure management being charged with the efficient management of the assets
- appropriate third party access strategies for public training infrastructure, taking into consideration advice from private training organisations about the preferred access model
- new asset acquisitions or developments consistent with training delivery models adopted in the new business model
- standalone versus strategic partnering opportunities - with business, industry, other agencies or RTOs and or schools (e.g., regional or transport hubs, multi-user developments, and contracted access to and partnering with industry or specialist private RTO facilities).

This proposed central coordination approach reflects the fact that: the assets belong to the State; institutes will not be able to afford or recruit asset management specialists of the calibre required; and there is presently a lack of a consistent overall vision and framework for state-wide TAFE asset management. A state-wide strategic approach in a value-driven context may yield quite different opportunities from a state perspective.

3.6 A new TAFE Queensland

Background

Based on the current formation of institutes, financial results vary depending on geographical coverage, training demand, size and structure. Increasingly institutes face significant challenges in terms of financial viability, balancing administrative burden and overheads against core delivery focus in both financial and non-financial arrangements, disparity in size and in turn varying levels of efficiency and effectiveness.

The 2005 Boston Consulting Group Efficiency and Effectiveness Review of the then department and TAFE sector found that improvements in efficiency and effectiveness in the administration and delivery of VET could contribute to closing the skills gaps by way of making more resources available for the delivery of services.

Consistent with advice from both Skills Queensland and the department presented to the Taskforce, the Boston Consulting Group Review identified that investment in training, and in the delivery of training, from government and non-government sources in Queensland is less than many other jurisdictions. In terms of TAFE, the Review found that there were wide variations in efficiency at the individual institute level.

More recent analysis suggests that on a relative technical efficiency measure, there has been increased consistency in performance between institutes suggesting that institutes appear to have benefited from amalgamations over the period 2005/06 to 2007/08 and that newly formed institutes have improved performance relative to the other well-established institutes. Notwithstanding these improvements, a range of issues across the system are seen to be impacting on the efficiency and effectiveness of TAFE Queensland.

TAFE Queensland currently operates as 13 individual institutes and opportunity exists for consolidation to achieve efficiencies and economies of scale, particularly in terms of back office corporate functions in areas such as finance, human resources, IT, and associated support operations.

Reforms to TAFE Queensland have been undertaken iteratively over the last ten or more years, moving from what was once 32 institutes, to 16 institutes to the recommendations of the Queensland Skills Plan, which created the 13 institutes that exist today.

TAFE governance (or organisational form) in Australia has been a topical issue for many years and the subject of various reviews.

Each of these reviews consistently recommended more autonomous and flexible governance arrangements for TAFE Queensland to allow it to operate in a more competitive environment and improve the speed to market in domestic, international and newly identified markets and increase its capacity to partner with other institutions and organisations. Central to the issue of organisational form for TAFE Queensland are findings that:

- there is a lack of clarity about the role of TAFE as a public provider and about the mission, structures and assets of individual institutes
- there are relatively low earning margins and overall surpluses that limit the capacity to reinvest in capital and areas that provide a competitive advantage

- identify concerns around the current hybrid governance model of two statutory and 11 departmental institutes.

The Taskforce has considered options for organisational form of TAFE Queensland as part of a broader discussion about the strategic direction of TAFE Queensland and decisions about the role and purpose of TAFE, structural arrangement of institutes and financial viability considerations. This approach ensures that form follows function and acknowledges that the organisational form of TAFE Queensland must be responsive to the further role and purpose of the public provider.

The move towards more autonomous organisational models in Queensland commenced in 2007, driven by the Queensland Skills Plan and the introduction of VET FEE-HELP in 2008. Currently the Gold Coast Institute of TAFE and Southbank Institute of Technology are statutory TAFE institutes and the remaining 11 institutes operate as standard TAFE institutes.

A range of organisational form options and implications for TAFE Queensland were considered by the Taskforce before arriving at a preferred position that the recommended parent entity be established as a Statutory Body or a Government Owned Corporation (GOC). Key to the Taskforce's consideration of organisational structure was creating an entity separate to the department, and to the VET investment purchasing function, that would position TAFE with a clear commercial focus. In this regard, the Statutory Body and potentially GOC options:

- provide for a separate legal entity responsible for its own funds
- provide for longevity of TAFE as a public provider in Queensland
- allow for a mix of commercial and non-commercial activities and for non-commercial activities to be specifically identified and separately funded, noting that under the GOC option non-commercial activities would be specified CSOs.

The Taskforce considers that the leap to a fully commercialised GOC organisational form is too ambitious based on an analysis of the current position of TAFE Queensland. Over time, the Taskforce considers that the longer term focus of TAFE Queensland may evolve to be suitable to a more commercialised organisational form.

TAFE itself must however contribute substantially to the achievement of such a further change through its performance and competitiveness (i.e., this outcome cannot be simply 'gifted').

First steps – a TAFE Queensland Parent Entity

Recommendation 3.8: A TAFE Queensland parent entity be established outside the current department structure as a statutory body, in a way that provides a potential future opportunity to transition to a more commercially focused organisational form (including potentially a GOC).

TAFE Queensland would be a stand-alone entity where its budget and revenues, personnel and physical assets, new business practices and flexibilities can be free to deliver on the quite different requirements of the training market to those of the schooling sector.

Recommendation 3.9: The parent entity be driven by a commercially focused Board constituted by and accountable directly to the Minister responsible for training, and drive a business focus to TAFE Queensland's structure, locations, operations and supporting products and services.

Recommendation 3.10: The parent entity should be managed by a Chief Executive Officer (CEO), broadly equivalent to a Director-General.

This Board and its parent entity should further assist the reform process of TAFE Queensland, including around the role of TAFE, industrial relations changes and enterprise bargaining, collective approaches to product development and other business systems and practices, and determining the public faces and branding of TAFE (i.e., its subsidiary 'institutes').

Staff should at least be transferred from the present employment of the Department of Education, Training and Employment to become employees of the TAFE Queensland parent entity. The Taskforce has noted the degree of standoff that has developed between the department and institutes over many years, and cautions against further entrenching such standoffs in any future organisational structures. It is desirable to enable the subsidiary entities a degree of responsiveness and flexibility, requiring some finesse in organisational forms, accountabilities and delegations, but assuring that overall objectives are met at all levels of TAFE Queensland.

Parent Entity role

The TAFE Queensland parent entity would provide the following for the network of subsidiaries it leads:

- streamlined interface with the Minister (owner) for the purposes of managing the network of public providers from a state-wide perspective
- eliminate the need for a departmental function that has responsibility for collating a state-wide view of the public provider in terms of performance and outcomes
- a lean administrative centre which incrementally transitions-in historically centralised departmental functions and support mechanisms relevant to TAFE Queensland
- an ability for state-wide and meaningful industry engagement in the management and direction of TAFE Queensland as a whole, along with the ability for industry representatives to have specific input into subsidiary operations via local Board appointments
- an elevated status of the public provider in terms of negotiating with the purchaser and funder of Government training investment
- a platform for active contribution from the public provider into policy development and consistent engagement
- guiding the establishment of relationships with other training providers and education sectors
- ensuring a focus on priority industries
- encouraging a franchise approach to training resource development to reduce duplication of effort across the network
- leading collaborative approaches to ensuring fit for purpose operational enablers and achieving economies of scale in areas such as core training IT systems (for example student management systems), and shared service arrangements for transactional processing
- the coordination and promotion of digital/on-line delivery training by its subsidiaries
- strategies for possible new delivery locations, aligned to industry demand.

TAFE Queensland will need to have the power to directly employ its teaching staff, to transfer staff across the TAFE Queensland footprint from time to time to where their skills are required, or to terminate the employment of staff surplus to requirements or unwilling to maintain their content

knowledge currency or to accept reasonable transfer requests. This is a specialist set of HR functions and expertise to be grown within the TAFE parent entity.

TAFE Queensland requires the flexibility in managing its teaching capability outlined earlier in this Report to respond to the changing times. Teachers and teaching assets largely drive institute training offerings, not the skills needs of individuals and industries.

The transformation task is therefore more than simple machinery changes, but rather reform embracing adoption of true commercial practices and accountabilities, understanding of risk and opportunity, forging partnering and effective relationships, and transitioning to a new culture.

The Taskforce has heard overwhelming responses from a range of quarters that TAFE Queensland is not really industry-focused. A continuation of such a culture will be quickly fatal in the highly competitive training marketplace.

Many of these comments were related to the traditional business model that still largely permeates TAFE, despite some notable localised innovations, based on its physical campuses scattered across Queensland. The Taskforce cautions strongly against reliance on geography and bricks and mortar approaches as the basis for a sustainable public provider that meets industry needs.

The massive penetration and take-up of new technologies in the Australian community has seen a range of services from banking, entertainment, medicine, and retailing move into on-line real-time delivery, accompanied by flexible work-arrangements such as telecommuting. This is being mirrored in the education sphere, where flexibilities in the nature and delivery of university and school programs is being steadily revolutionised by these technologies.

TAFE Queensland must also add similar teaching and delivery strategies to remain relevant. This can be achieved through a variety of means including partnering, collaborations and licensing, as well as in-house developments.

The wheel does not need reinventing in this regard, and the TAFE parent entity must take a strong leadership role. Whether it be around enrolment and delivery platforms, training content, delivery and interactivity (e.g., webinars or use of simulation including virtual worlds, assessment, student support and/or mentoring). This would be best done on a whole of system basis, rather than through quasi-competitive, go-it-alone strategies, which have characterised the present culture of individual institutes. Innovation in a systemic context should become the norm. There are already quality private training providers setting benchmarks in this regard.

The Taskforce recommends the use of the TAFE balance sheet to release the investment capital for these types of core innovations in service delivery. The enhanced outreach (e.g., to remote and regional Queensland, to those people in the workforce or bound to the home, those working shifts, and growing numbers of casual and part-time workers) of new, quality, high value on-line training services would enhance the relevance of TAFE. It would also negate the remaining bastions of out-dated thinking that equate education to physical attendance at designated points (Institutes or campuses), at restricted times (usually office hours and early evenings), of specific days (Monday to Friday), in classrooms or workshops.

Recommendation 3.11: TAFE delivery options must be expanded beyond traditional campus-based delivery to enhance access to services, including on-line service delivery in all its aspects. System wide on-line and technology approaches, led by the TAFE parent entity, are required for state-wide industry, student and community access, but localised innovations must also be enabled.

Restructuring the TAFE Queensland institutes

The structure of TAFE Queensland will inevitably evolve over time beyond an initial set of geographically-based subsidiary institutes. These will be decisions for the TAFE Queensland parent entity Board in conjunction with the responsible Minister. How TAFE Queensland chooses to respond to the training market, in day to day terms and over time, to be successful and sustainable, will need to be a core accountability of this Board and parent entity.

The Taskforce has nevertheless had the opportunity to review a range of reports containing recommendations for the future structure of TAFE Queensland institutes.

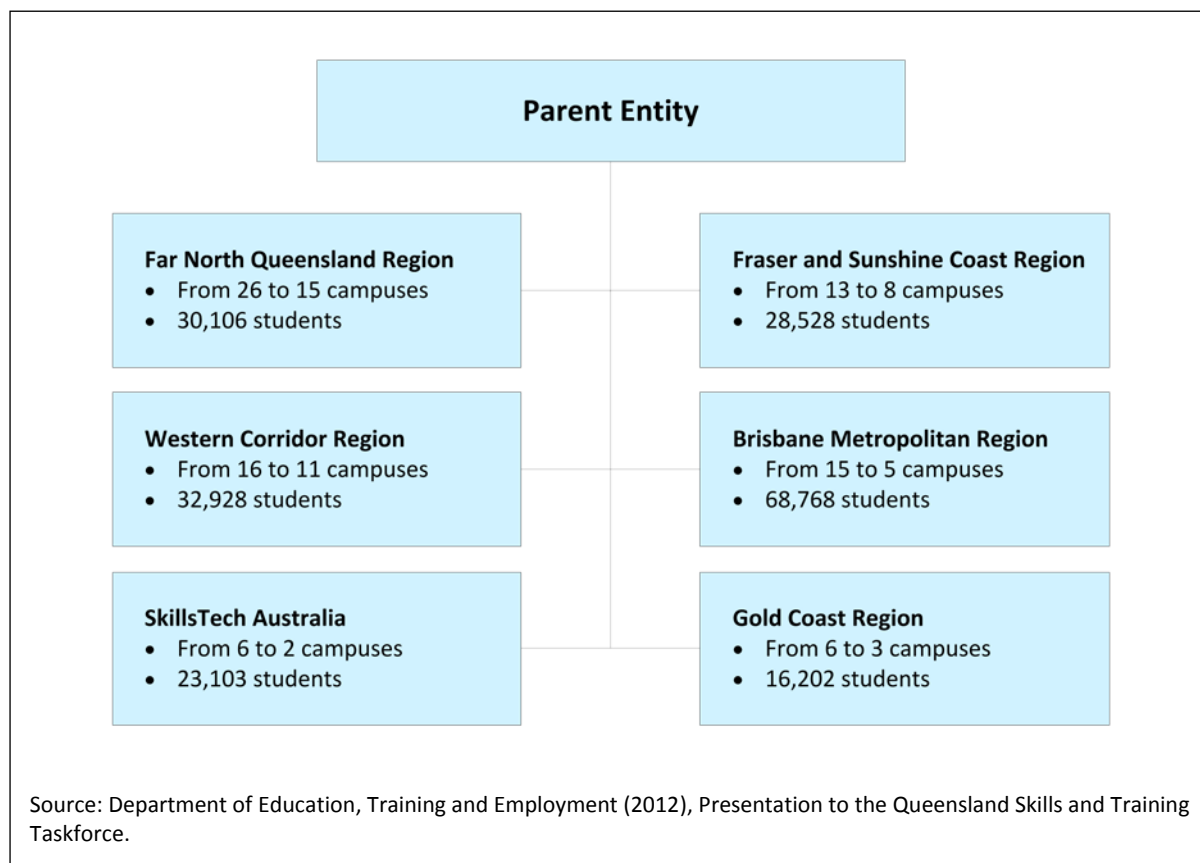
The Taskforce was attracted to the recommended rationalised structure of TAFE institutes under a TAFE Queensland parent entity in Figure 18. Under this structure there would be an initial five geographically focused institutes (including a single Brisbane Metropolitan institute) plus SkillsTech Australia as the new parent entity's lead subsidiary on trade skills training.

Recommendation 3.12: A rationalised structure of TAFE institutes under a TAFE Queensland parent entity that could have the following characteristics (as presented to the Taskforce by the Department of Education, Training and Employment):

- Far North Queensland Region (from 26 to 15 campuses)
- Fraser and Sunshine Coast Region (from 13 to 8 campuses)
- Western Corridor Region (from 16 to 11 campuses)
- Brisbane Metropolitan Region (from 15 to 5 campuses)
- Skills Tech Australia (from 6 to 2 campuses)
- Gold Coast Region (from 6 to 3 campuses).

The Central Queensland Institute is excluded from Figure 18 based on the Government's in-principle support for the Central Queensland University merger proposal that is subject to further due diligence checks. If this merger does not proceed, the Central Queensland Institute could form a seventh Region.

Figure 18: Recommended future structure of TAFE Queensland



The Taskforce noted that further work would need to be undertaken by the parent entity on the approach of these subsidiary institutes with respect to industry/discipline differentiation and product leadership, as well as financial viability.

To be clear, the recommended asset management strategies and rationalisation of TAFE Queensland campuses is intended to enhance service delivery through improved access to fit for purpose, high quality training facilities and new contemporary (e.g., digital) models of service delivery. Advice provided to the Taskforce did not go to the level of identifying campuses for rationalisation and/or disposal. Appropriately, these are decisions for Government and the new TAFE Queensland parent entity. Consistent with its Terms of Reference, the Taskforce considers that the strategies outlined above will support achievement of the National Partnership Agreement objectives.

3.7 Transitioning to a new TAFE Queensland

The transition of TAFE Queensland as recommended in this Report will involve significant systemic and cultural change consisting of new asset management strategies, changes to industrial agreements, rationalisation of institutes and campuses, strong central leadership and management as well as new corporate and ICT systems.

All of this must occur in a new outward-looking leadership, management and market-embracing culture.

Reform Implementation Unit

Recommendation 3.13: A well-resourced and strongly-led Reform Implementation Unit, with appropriate access to external expertise, be established to drive the program of work outlined in this Report and to lead the change management process to transition TAFE Queensland.

This unit will be responsible for leading the change process and working directly with both the parent entity and other elements of VET to negotiate key outcomes and with institutes to undertake the reorganisation and structural change process. Ultimately this will achieve each of the entities being established, the transition of legacy systems and arrangements in terms of shared corporate services, shared ICT systems and integrated departmental arrangements being transitioned to the new environment. The unit should also be tasked with maintaining a close and ongoing dialogue with industry throughout the implementation process.

Analysis suggests that this process should be seen as a major structural adjustment requiring agreement and commitment to common goals by Government, industry and the TAFE workforce and management. Furthermore, there is a risk of 'residualisation and marginalisation' for many institutes if the systemic issues which limit TAFE's performance and capacity are not addressed through a program of major structural adjustment as outlined above.

The transitional activities can be clustered into a number of streams of work that can be undertaken concurrently as shown in Figure 19.

Figure 19: Indicative transitional work streams and implementation timelines

Stream	Indicative timeframe*
Legislative Amendments <ul style="list-style-type: none"> - Amendments to VETE Act for new organisational form and structure (ATP/ATI) - Amendments to VETE Act to improve current Statutory TAFE Institute operating model (ATP/ATI) 	Medium Term (6-12m) Medium Term (6-12m)
Structural and Governance Reform <ul style="list-style-type: none"> - Dissolve current structure and institutes (Regulation) - Establish new entities (Regulation) - Appoint Boards and CEOs (ECM) - Governance activities and preparation for Day 1 (1 July 2013) including legal issues, delegations, transfer of RTO status, licenses, agreements, arrangements, CRICOS, VET FEE-HELP 	Medium Term (6-12m) Medium Term (6-12m) Medium Term (6-12m) Short to Medium Term (1-12m)
Finance Stream <ul style="list-style-type: none"> - Financial systems (assuming continued use of department system) - Opening balances and other financial considerations including taxation, banking, audit and so forth - Implement new systems 	Medium to Long Term (6-24m) Medium Term (6-12m) Long Term (12-24m)
HR Stream <ul style="list-style-type: none"> - EB negotiation - Staff transition (Regulation) 	Medium Term (6-12m) Medium Term (6-12m)
Infrastructure Stream <ul style="list-style-type: none"> - Strategy development - Disposal Strategy (Government decision) - Asset transfer to new entity - Disposals 	Medium Term (6-12m) Medium Term (6-12m) Medium to Long Term (12 m to 2 years) Medium to Long Term (12m to 3 years)
Merger Change Activities Stream <ul style="list-style-type: none"> - Develop structures of parent and subsidiaries (corporate/support and teaching/education structures) - Working staff reduction plan - Identify displaced staff - Realignment change activities - Develop and implement a Performance Management Framework 	Medium Term (6-12 months) Medium to Long Term (6-24m) Medium to Long Term (6-24m) Medium to Long Term (6-24m) Medium Term (6-12 months)
ICT Stream <ul style="list-style-type: none"> - System change program of work (assume continued use of Whole-of-TAFE system) including networks, security and access, contract novations and so forth - Data transfer across all systems - Transition to new systems including consideration of devolution of some systems 	Medium Term (6-12m) Medium Term (6-12m) Medium to Long Term (12 months – 2 years)
Marketing and Communications Stream <ul style="list-style-type: none"> - Corporate identity (brand and logo) for parent and subsidiaries - Internet and intranet site re-development - Corporate communications 	Short to Medium Term (1-12 months) Medium Term (6-12m) Short to Medium Term (1m to 2 years)

Note: Indicative timeframes subject to legislative process, decisions of Government, availability of human and financial resources.

Recommendation 3.14: With the support of Government, the Taskforce is of the opinion that a new TAFE Queensland parent entity be set up and begin operating by 1 July 2013.

The Taskforce considers that a key risk to the successful and timely transition is the lack of experienced business, commercial and change management expertise and senior executives in the public sector. A secondary risk is reform fatigue if the process is allowed to drag on.

The skills and experience of senior management of the parent and subsidiary entities will need to be appropriate to ensure that the organisations change to and sustainably run along commercial principles and practices. There will be a need to develop and/or recruit senior management to address the change in focus from what has traditionally been the administration of department led entities to commercial board led entities where drivers for management and executive leadership will be different. It should be acknowledged that this will require a process of change, complemented by skills and experience of current senior managers from within the system with new senior managers from outside who bring different skills.

Investment in leadership of the public provider including industry engagement in a true form will be critical to the success of the institutions and will therefore require additional resources in the medium term. This will also include the development of appropriate skill sets across the governing Boards that will drive the desired outcomes that Government is looking for.

Funding TAFE Queensland reform and change

Recommendation 3.15: Upfront investment in TAFE Queensland will be required over the short to medium term in order to realise longer term efficiencies and increases in productivity expected from implementation of the Taskforce recommendations. This funding is recommended to enable immediate change activities to commence, including considerations around changes to the staffing mix and skills capability, new training products, skilled teaching personnel, professional development and on-line delivery.

It is considered that there are large savings to be made in a number of areas such as reductions in the non-teaching to teaching staff ratio, eliminating the present large departmental corporate overheads, eliminating the costs of multiple duplicate management structures and systems of the existing institutes, savings from implementing a VET in Schools (VETiS) framework (see Section 2.3), and through new strategic asset management practices. Initial seed funding for reform will need to be considered and determined by Government.

Implementation and longer term considerations

The Taskforce's recommendations, whilst clearly establishing a role for TAFE Queensland aligned to training for economic and employment priorities, cannot eliminate or mitigate all future risks inherent to being in business in an increasingly competitive market. The recommendations do provide Government and TAFE Queensland with a degree of flexibility about the longer term role and function of the public provider in Queensland's training market.

The Report's recommendations, if adopted, would transform TAFE, making it 'fit for purpose' in the emerging VET and economic context, and put it on the path to becoming a 'going concern'. The recommendations do not intrinsically guarantee that TAFE will then successfully take the next crucial steps to become a sustainable quality operation, as that remains a function of many variables. These

include market forces, quality of leadership, management, training personnel and product, customer and client relations, and pricing - in short, all the factors with which every business must continuously contend.

TAFE Queensland's long term future role may therefore be seen on a continuum from delivering training aligned to economic and employment priorities with a base grant for clearly identified 'non-market' services through to a fully commercialised private training provider. TAFE has historically been a public brand but there is no intrinsic reason why it could not also become a corporate or private brand - its association in the public mind is arguably about factors such as access, training, quality and trust, and not the legal status of its ownership.

The following sections outline possible options for the future of TAFE Queensland over the short, medium and longer term on the basis of the Taskforce's recommendations in this Report. Ultimately, the future role and function of TAFE Queensland will be determined by the Government's approach to the Taskforce's recommendations, the public provider's success in meeting the market, and Government's policy and expectations in the medium to longer term.

Transition of the public provider and Queensland's training market

Currently, TAFE Queensland delivers two-thirds of reported training in Queensland, which is significant in the context that Queensland has the second highest portion of contestable funding in Australia. With an increasingly contestable training market, it is expected that TAFE's market share will reduce as the funding provided explicitly to TAFE Queensland (VET Revenue General) decreases.

These factors illustrate the likely reduction in TAFE Queensland's market share correlating to an increase in the market share of private providers, as contestability increases.

An important consideration for the Government during this transition period will be ensuring that there is adequate capacity within the training sector to deliver the skills needed to grow the four pillar economy and meet the State's training targets for Commonwealth funding. It should be noted that the training market itself is not static, and that transition of TAFE will be occurring against the backdrop of a continuing dynamic economy and training market. 'Capacity shock' must be actively averted.

Put simply, notwithstanding advice provided to the Taskforce about the maturity and preparedness of the private training market in Queensland, a well-planned transition process for the public provider to its future form would be prudent to maintain and then further build the State's overall training capability aligned to the economy, which in turn will support employment and economic growth.

An additional consideration for a well-planned transition is promoting the availability and use of public infrastructure. Further to asset management strategies recommended in Section 3.5, the Taskforce heard a range of ideas and suggestions to improve access to government-owned training infrastructure by both private and public providers to increase the overall capacity of the State's training market. In this regard, one option proposed for consideration was establishment of high quality, specialised learning environments available on competitive access arrangements to maximise utilisation.

Medium to longer term options for the public provider

Ring-fencing capacity for Government's direct public provision of VET within the training market during the transition period for TAFE Queensland to its new entity, role and purpose should only be considered a short term feature.

A key element of the transition phase for TAFE must be raising the capacity of the broader training market so that the transition is transparent in access and capacity terms - skilling continuity to support industry and the Queensland economy must be maintained over the medium to longer term.

In addition to maintaining capacity of the broader training market to deliver skills, the TAFE transition period will also provide opportunities to further consider Government's role in training. As private providers grow not only in terms of market share and numbers, some may also be expected to grow in scale. The emergence of large, efficient, quality private providers of a similar size to present TAFE institutes should not surprise policy makers or the market and they would certainly drive further market dynamics. Government, as the ultimate owners of large fixed TAFE assets and infrastructure, need to be alert to risks and opportunities as the market itself evolves and transforms.

The TAFE transition period would provide an opportunity to clearly define the 'non-market' services, if any, which Government seeks from the training market, with a view to accurately costing and testing the investment required to deliver these services.

Once the specification and cost for these services is established, it should be readily possible over the near to medium term to test the training market's capacity and willingness to deliver the identified services in a contestable market. Said another way, over time, the 'non-market' services may become contestable, by virtue of increased capacity in the broader training market. This approach would also allow Government to modify the services it purchased from the market from time to time, in the same way that Government's training and purchasing priorities change over time.

In the medium to longer term, under the scenario outlined above, the on-going relevance of TAFE Queensland would be driven increasingly only by its success in the competitive training market, rather than in delivering specific Government priorities. Care must also be exercised in thinking about TAFE Queensland in 'all or none' terms. As the Taskforce recognises, there are inherently variable strengths and opportunities across the public provider with entities such as SkillsTech Australia likely to be capable of forging their own futures, value-adding to Queensland's skilling outcomes with good forward thinking policy settings.

Regardless of any future market driven outcomes or government policy imperatives, the first sensible step is to put TAFE on a commercial footing to be more competitive and sustainable and of value to students, employers and the broader economy. All further options would then flow from this base repositioning.

Consideration must also be given to areas where it may not be possible to move government funding for priorities and non-market services into a fully contestable market for a long period of time. Strategies to deal with market failure would also be required. Just as TAFE the brand has arguably neither public nor private connotations, nor does any market response require a future new public provider to be a 'TAFE'.

Finally, while the Taskforce's deliberations appropriately create longer term options for the role, purpose and function of the public training provider, the Taskforce's recommendations to date have

been about the first step - fit for purpose - including the operational efficiency of TAFE Queensland, its role in supporting the four pillar economy, the level of industry involvement in setting the direction of TAFE and the current quality of offerings of TAFE Queensland.

Recommendation 3.16: That while TAFE Queensland be given reasonable opportunity to reform through implementation of the recommendations in this Report, the level of public provision in the longer term should be on an 'as and where it is needed' basis and the level of public provider capacity maintained at any given time should be informed by the VET sector's market dynamics and maturity.

4.0 Apprenticeships and traineeships

4.1 Introduction

This section of the Report focuses on better understanding the challenges for the State's apprenticeship and traineeship system (apprenticeship system) and providing advice on strategies to reduce barriers and red tape for employers wishing to hire apprentices and increasing apprenticeship completion rates.

As at 30 June 2012, there were more than 100,000 Queensland apprentices in training across the state including approximately 43,000 apprentices and 65,000 trainees. Approximately 60 per cent of apprentices were aged 19 years or younger at the commencement of their qualification and around one third of apprentices are expected to complete their apprenticeship more than six months before their scheduled completion date.

Advice to the Taskforce was that the State's apprenticeship system is not fundamentally broken but that it does require reform and modernisation to improve its responsiveness to a quickly changing economy.

To underpin the Taskforce's advice on reform of the State's apprenticeship system, selected experts and strategic thinkers in the field of trade and skills pathways were invited to participate in a *Workshop on Apprenticeships and Skilled Trade Outcomes*. The Workshop provided valuable insights and advice on system blockages, contemporary models and workable solutions that are reflected in the Taskforce's advice to Government.

4.2 Barriers and drivers for reform

From its inception, the apprenticeship system has provided young people and new entrants to the workforce with entry level trade qualifications that in turn provide skills for the economy and a prosperous and secure career path for individuals. In this regard, the successes and the achievements of the apprenticeship system are well documented in a range of research reports. These reports confirm that the current system works well for a number of employers and individuals.

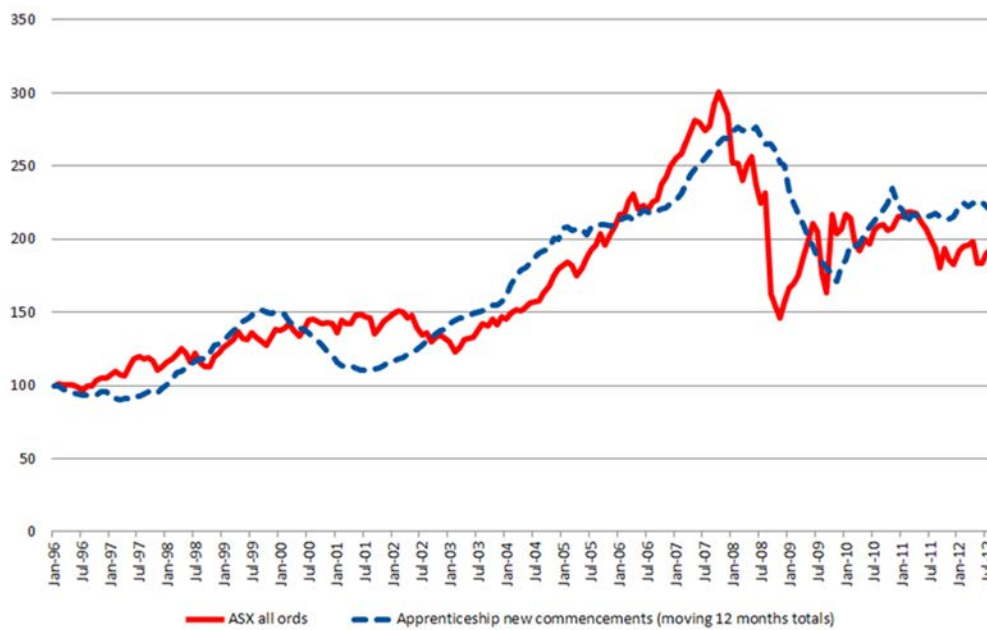
Despite these successes, there are persistent and increasing calls from system users for reform through complementary trade training and skilling pathways that are responsive to the significant labour market restructuring and changing needs of individuals, industry and employers being observed in Queensland and nationally.

A common concern raised by stakeholders is the apprenticeship system's susceptibility to prevailing economic conditions and the need for the system to be more focused on future skill needs.

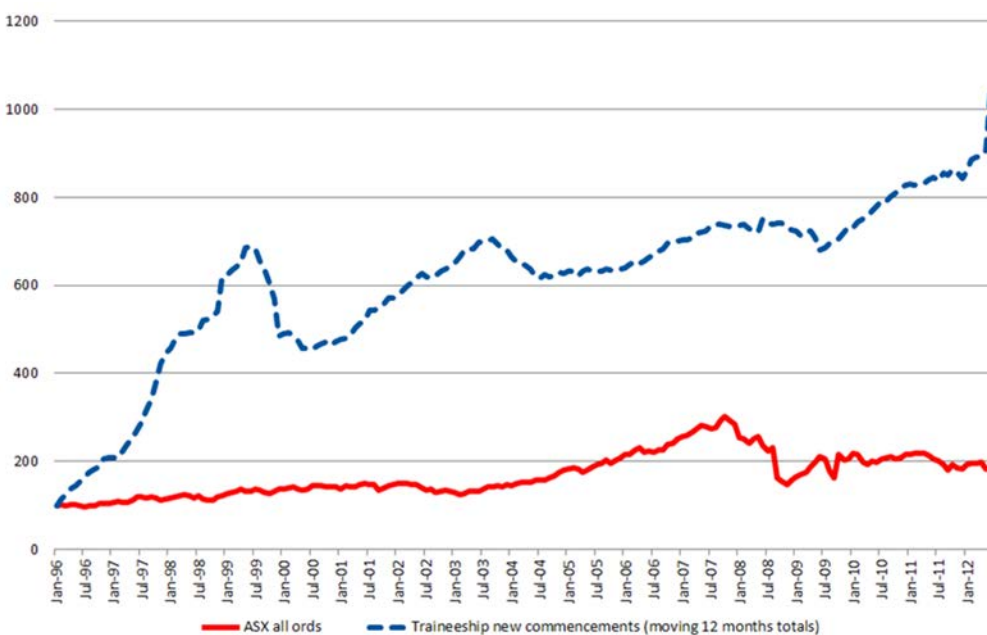
In this regard, longer term trends show steady increases in the number of traineeship commencements at the same time as economic volatility and declines in apprenticeship commencements between 2008 and 2012. While acknowledging that these trends are not equally applicable across all industries and sectors, the trends go to demonstrating the need for more flexible training options that are responsive to prevailing economic conditions (Figure 20).

Figure 20: Australian Stock Exchange versus apprenticeship and traineeship new commencements

Australian Stock Exchange versus apprenticeship new commencements



Australian Stock Exchange versus traineeship new commencements



Note: Apprenticeship and traineeship new commencements (annual totals) and the ASX All Ordinaries Index have been plotted using a common base (31/1/1996 = 100).

Source: Department of Education, Training and Employment (2012), *Emerging Apprenticeship and Traineeship trends – Queensland, September 2012* and additional analysis.

Analysis of outcomes from the *Workshop on Apprenticeships and Skilled Trade Outcomes* (Attachment 3) alongside advice from the Department of Education, Training and Employment and from Skills Queensland demonstrates that there is significant variation in the Queensland apprenticeship systems across and between industries and qualifications. In addition, consultation identified that the process to introduce a new apprenticeship or traineeship into an industry is seen as time consuming and cumbersome by stakeholders. This suggests that system reform needs to be focused on increasing flexibility so that the system is responsive to a broader range of end users and circumstances.

In this regard, the Taskforce noted that better engagement between Industry Skills Councils and employers, especially small to medium employers, is fundamental to the ongoing relevance of Training Packages and VET to the labour market, with a particular focus on the need for sub-qualification, or skill sets, in some industries.

Advice presented to the Taskforce demonstrated that there are some significant flexibilities available within the State's existing apprenticeship system as demonstrated by current approaches being implemented in the aviation industry, resources sector and by group training organisations. However, stakeholder views represented to the Taskforce on the other hand suggest that there is not a comprehensive understanding of the inherent flexibilities available within the existing apprenticeship system and that accessing such flexibility requires a level of organisation that may not be practical for many system users, particularly small to medium enterprises and individuals. Views from training providers shared with the Taskforce suggested that flexibilities could be more easily expanded in terms of learning and delivery styles and individual progression with support from industrial partners and with changes to the systemic framework.

The Taskforce heard directly from stakeholders that issues around restructuring of the labour market and the changing needs of system users are currently epitomised in Queensland as:

- traditional 'one size fits all' approaches and many Training Package qualifications are not responsive to varying trade and skill needs between local economies with some (predominantly regional) areas requiring broader ranges of skills and other (predominantly metropolitan) areas requiring narrower and more specialist skills
- an industrial relations framework predominantly based on time served and longevity of employment attempting to support an increasingly competency based training system and a growing reliance on a skilled contract and casual workforce needing to access training
- employers and workers in many industries finding it difficult or impossible to access the State's apprenticeship system due to the seasonal or subcontract nature of their industry and/or casual employment status
- an emerging generation of workers with differing expectations and needs who perceive the time required to complete traditional trade and skill qualifications as being too long
- an increasingly mobile and aging workforce seeking and requiring new skills to adapt to industry restructuring and emerging industries (including industries in local communities) as well as changes to technology
- an increasing number of adults and mature age entrants seeking trade and skilling opportunities in a system that is geared to school leavers in terms of curriculum, pedagogy and qualification structure
- a complex training system that is out of sync with the economic cycle, particularly in terms of lead times for training and the requirement for a training contract in order to access

- government subsidised training
- a significant proportion of the existing and potential workforce without the fundamental literacy, numeracy and employability skills to adapt to increasingly higher level skill needs of the workplace
- an inflexible delivery system that is not responsive to users' needs and does not exploit available, alternative methods of training and models that are more suited to the client
- in being reactive to changes in State and Commonwealth government policy and funding targets the apprenticeship system, and broader training system, has become less responsive to the needs of individuals, employers and industry.

In response to these issues, outcomes from the *Workshop on Apprentices and Skilled Trade Outcomes* revealed the need for much greater flexibility in the system. Key outcomes included:

- Streamlining the administrative system via a single online system consistent with the national system and coupled with flexible training delivery including changes to block release, on-line and out-of-hours delivery, to boost commencements and completions of apprenticeships and traineeships.
- Introducing flexible arrangements into the system such as funding being available to support alternative pathways including skill sets and other qualifications informed by industry, multiple exit and entry points, alternative supervisory arrangements, eligibility of casual employees and contractors for participation in the system and transportability of on-the-job training, which would allow for alternative trade training pathways to be developed to deliver on the Government's growth targets.
- Introducing flexibility into assessment and delivery such as skill sets as a qualification outcome, and offering a range of training models that allow for all learners (e.g., mature age). There is a need to ensure these models are responsive to economic cycles and address new industry players (i.e., institutional, group schemes and partnership models) and incorporate new technology in collaboration with industry.

In acknowledging that the Taskforce's Terms of Reference do not provide the scope for a detailed investigation of all issues raised by stakeholders and workshop participants, the results of the Taskforce's consultation process and Workshop outcomes are provided respectively at Attachments 1 and 3 for Government's information.

4.3 Strategies to reduce duplication, increase flexibility and increase completion rates

The Taskforce recommends a series of actions to improve the operation of the apprenticeship system through administrative and legislative reform as well as complementary skills and trade training pathways. In addition, targeted intervention strategies are also proposed for Government's consideration, noting that these strategies will likely carry significant additional financial implications.

This approach confirms that there is value in maintaining the features of the existing system where it is serving users and the economy well at the same time as introducing new skills pathways that are responsive to emerging needs.

Reducing duplication and red tape for employers and system users

The Department of Education, Training and Employment presented a range of measures, both under consideration and under implementation to modernise the apprenticeship system and reduce regulative and administrative processes.

The Taskforce recommends implementation of the following as strategies to reduce red tape and increase uptake of apprenticeships.

Recommendation 4.1: Improve the administration of apprenticeships including streamlining and clarifying procedures for commencement, suspension, transfer and completion of contracts and restricted callings.

Recommendation 4.2: Legislative amendments to:

- allow for the transfer of training contracts between employers to support apprentice transitions between employers
- remove duplication and conflicting employment related matters from the training legislation to streamline processes and make the system simpler for employers and to reflect Fair Work Australia processes and responsibilities
- harmonise Queensland legislation with similar legislation in other jurisdictions to give effect to a national apprenticeship system
- reduce the timeframe to sign and lodge the training contract to promote increased engagement of employers and apprentices in training activities
- reduce the 'age limit' on restricted callings from 21 years to 18 years to better reflect the contemporary nature of employment in restricted calling areas.

Recommendation 4.3: Significantly free up regional services from processing and administering multiple forms and duplicative regulatory procedures to allow increased support for training monitoring and mentoring to aid completion of training.

Recommendation 4.4: Expand regional services, on the basis of improved administration processes, to better market the flexibilities and opportunities within the existing apprenticeship system to small and medium enterprises and individuals.

Recommendation 4.5: Strengthen the Queensland Government Building and Construction Contracts Structured Training Policy (the 10 per cent training guarantee) to improve compliance with the policy.

In addition to legislative changes and harmonisation of Queensland's apprenticeship system with other jurisdictions, the Taskforce considered the potential transfer of Australian Apprenticeship Support Services from the Commonwealth to the State. The Taskforce was attracted to the concept of a one-stop-shop for all apprenticeship and traineeship services in Queensland that would provide clearer accountability, improved value for money and a sharper focus on improving completion rates.

Recommendation 4.6: Government pursue negotiations with the Commonwealth for the transfer of Australian Apprenticeship Support Services to the State, on terms that are acceptable to the State.

Recommendation 4.7: Investigation of user-oriented on-line processes to replace the current paper-based apprenticeship management systems.

Automation of processes through an online user-orientated approach is strongly recommended.

Increasing flexibility

Underpinning the systemic red tape and barriers identified by the Taskforce and stakeholders is perceived rigidity of the apprenticeship and traineeship system in Queensland. Consistent themes and issues identified by stakeholders and workshop participants in terms of increasing flexibility of the apprenticeship and traineeship system were to:

- free up funding of the system to support alternative pathways – given that funding is predominantly based on apprenticeship and traineeship pathways (in terms of trade and skilling pathways)
- establish a system with various entry and exit points for trade and skilling pathways – based on a fundamental pre-vocational qualification, with recognition of various skills sets in association with those entry and exit points
- flexible training delivery, including alternative approaches to TAFE block release, and other complementary training methods focused on increasing accessibility
- encourage online and on-demand (24/7) approaches to learning
- trial 'cross-over' trade training qualifications.

The Taskforce noted that multiple industry specific flexible pathways for apprenticeship and trade skill outcomes currently exist and that notwithstanding these existing pathways, stakeholders are seeking to fundamentally improve flexibility in the apprenticeship system.

During deliberations, the Taskforce noted the importance of vocational, on-the-job training to VET qualifications, and that alternative or complementary pathways seeking to deliver fully institutionalised training, void of on-the-job experience, needed to be viewed cautiously and considered on a trade-by-trade basis.

The Taskforce contends that there is scope for a more flexible approach that concentrates on the training pathway and leaves employment issues for industry and the participants to establish. The Taskforce heard that increasing institutional pathways offered, whether pre-apprenticeship or in-apprenticeship, is the way of the future for growing overall numbers of people in trades.

The proposed *Registered Trade Skills Pathway* approach leverages off two important components of the apprenticeship system – the training plan and the training record book and is firmly centred in work based skill formation, strongly supported by RTO delivered formal training.

This pathway is able to take account of the fact that the work based skill acquisition may not come from regular, permanent employment, but from a broad range of work and life experiences leading to the development of trade based skills and underpinning knowledge. The pathway would therefore hold particular attraction for seasonal employers and employees, casual workers and industry sectors characterised by a sub-contracting culture.

At the centre of the pathway, the RTO would need to manage and assist the participant to ensure the work based skill development undertaken aligned to the requirements of the trade qualification. In addition, RTOs would need to develop a range of flexible delivery approaches as participants may not be paid by the employer(s) to attend off-the-job training due to the nature of their employment.

At the end of the program the participant would receive the relevant qualification from the RTO and a Certificate of Achievement from the department. In this approach employers would still be responsible for verifying achievement of on-the-job competency, and an independent RTO assessor would provide a final capstone type assessment to assure the participant has achieved tradesperson standard.

Recommendation 4.8: Adoption of a Registered Trade Skills Pathway model with the following characteristics:

- a pathway available to persons over the age of 18 with potential application to restricted callings to be investigated further
- a training plan registered with the Department of Education, Training and Employment
- a training record book and work based skill formation strongly supported by RTO delivered formal training
- opportunities for on-the-job training supported by an employer or employers that are responsible for verifying achievement of on-the-job competency
- a final trade assessment to assure the participant has achieved tradesperson standard
- awarding of the relevant qualification from the RTO and a certificate of achievement awarded by the Department of Education, Training and Employment
- flexible delivery approaches.

Recommendation 4.9: A strategy for increasing use of institutional pathways be developed in consultation with individual industry sectors, and where stakeholder agreement is achieved, pilot programs be initiated with follow-up reviews.

Targeted strategies to increase apprenticeship commencements and completions

Notwithstanding the strategies outlined above that are expected to have a positive impact on apprenticeship commencement and completion rates, the Taskforce recommends the following intervention strategies that focus on ensuring increased uptake and completion of apprenticeship and trade training pathways for Government's consideration.

Recommendation 4.10: Consideration of carefully targeted employer incentives to promote the commencement and completion of apprenticeships in priority industry and apprenticeship areas, including consideration of the optimum timing of payments.

Recommendation 4.11: Consideration of a significant communication and social marketing strategy to reinforce the benefits of career paths in the four pillar industries and improve attractiveness of VET skilling pathways to employers, prospective apprentices and trainees and the community in general.

5.0 Concluding remarks

Consistent with its Terms of Reference, the Taskforce has provided in its Report a framework for reforms of the Queensland VET sector identified as necessary to deliver the outcomes required by the Queensland Government.

The next steps are a matter solely for the Government to determine.

The Taskforce has recommended significant reforms for TAFE Queensland that encourage its operation within an increasingly contestable environment – a single statutory parent entity incorporating current institutes, reforms to industrial arrangements, an asset management strategy, new mechanisms for delivery and stronger linkages with industry – all supported and coordinated by a new fixed-term Reform Implementation Unit.

A new industry engagement approach through a truly industry-led Queensland Skills Commission responsible for directing the State's VET investment funds to key priorities will be an equally outstanding reform.

Changes driven by the fully contestable, demand driven funding framework will transform the sector; driving greater flexibility and quality in all aspects of stakeholder experiences of the sector.

Recommended reforms will build on our existing apprenticeship and traineeship system, adding new flexibilities to encourage broader participation by Queenslanders, something the Taskforce sees as essential to the achievement of the Government's commitment to create an additional 10,000 apprenticeships in the next six years.

Finally, the Taskforce has proposed a more robust framework for VET sector engagement with both the schools and higher education sectors.

Implementation is outside the scope of the Taskforce, however, it is appropriate for the Taskforce to comment to Government on the interconnectedness of its recommendations and the scale of the reforms identified.

The Taskforce recommends its Report as a complete package. Recommendations not accepted or supported risk diminishing the overall outcomes sought. The Taskforce acknowledges that implementation of all recommendations, particularly within the single agency of the Department of Education, Training and Employment, amount to nothing less than a wholesale reform of the publicly controlled and operated elements of VET. That this would occur in the context of an active economy, itself undergoing structural reforms in an uncertain global context, represents a double challenge for Government.

Scarce Government resources needed to implement any subsequently approved reforms and to grow the skills base of the State must be carefully husbanded and applied for effect, consistently and relentlessly. There will be no second chances in the competitive timeframes and economic context that Queensland and the nation are now navigating.

The onus will be on Government to identify and appoint top-class, proven leaders and managers of reform into all key positions, and engage key leaders from industry and the community to assist with or participate in the reform process.

Successful implementation will require first-rate planning and execution, and inevitably this will also involve difficult determinations from time to time. Therefore, effective management and leadership will be paramount.

Deep and sustained industry engagement at all levels in the reforms will be the defining evidence of a successful implementation by Government of approved recommendations.

Attachment 1 – Queensland Skills and Training Taskforce submissions and consultations

Introduction

On 19 June 2012, the Queensland Premier, The Honourable Campbell Newman MP, and the Minister for Education, Training and Employment, The Honourable John-Paul Langbroek MP, announced establishment of the Queensland Skills and Training Taskforce, in line with the Government's election commitment to reform and revamp Queensland's vocational education and training (VET) sector.

The Taskforce's role was to provide advice and recommendations to the Minister for Education, Training and Employment and the Assistant Minister for Technical and Further Education, Ms Saxon Rice MP, by November 2012 on the actions needed to improve the operations and outcomes Queensland's VET sector. The Taskforce's Terms of Reference (ToR) consisted of three core elements:

- the strategic direction of TAFE incorporating its role in supporting Queensland's four pillar economy and the level and nature of industry involvement
- measures to reform and revamp skills and training leading to a demand driven system and increased uptake in apprenticeships and traineeships
- role and function of all statutory bodies that contribute to the VET sector in Queensland to ensure they are aligned and fulfilling their role in meeting Queensland's economic and employment objectives.

Consultation process

An important part of the role of the Taskforce was to capture views and input from stakeholders across the VET sector, industry and the broader community. Consequently, the Taskforce conducted targeted face-to-face consultations from July to October 2012 to inform its advice to the Minister and Assistant Minister. Submissions were also invited from a number of relevant peak bodies and organisations and also from the public.

All Taskforce members, as experts in their own fields, were also charged with engaging and consulting with stakeholders to bring the views of constituents to the attention of the Taskforce.

To assist interested parties to prepare written submissions to the Taskforce, a consultation package was developed that summarised key research reports and reviews and provided a guide to making submissions. The guide included 11 targeted questions against the Taskforce ToR. These questions covered six areas, namely: TAFE reform; creating a demand driven VET system; industry engagement; apprenticeship and traineeship reform and trade training pathways; VET statutory bodies; and VET in Schools. The consultation package is available at Appendix 1.

The consultation package was made available on the Taskforce public webpage <http://training.qld.gov.au/industry/skills-training-taskforce> and included as part of an invitation from the Taskforce Chair calling for submissions from all stakeholders and interested parties.

The Taskforce Chair wrote to 21 peak body organisations, as agreed by Taskforce members, specifically inviting a submission against the ToR. The list of peak bodies invited to provide a submission is at Appendix 2.

The views of several key stakeholders including TAFE Directors Queensland, TAFE Queensland Council of Chairs, TAFE Directors Australia, Australian Skills Quality Agency, Queensland Commission of Audit, Australian Council for Private Education and Training, Central Queensland University and Victorian TAFE Reform Panel were captured during targeted meetings with the Taskforce Chair and members. A workshop on apprenticeships and skilled trade outcomes was held with experts and strategic thinkers in the field. The workshop provided valuable insight and advice on system blockages, contemporary models and workable solutions.

A full listing of meetings held and apprenticeship workshop participants is provided at Appendix 3.

Outcomes from consultation process

The Taskforce consultation process yielded 91 submissions from representative groups, organisations and individuals. Written submissions were received from 10 peak bodies, 11 TAFE stakeholders, 50 other organisations and 20 individuals. The full list of submissions to the Taskforce is available at Appendix 4.

Over half of the submissions were from peak bodies or organisations that represented whole of Queensland or national interests. The remainder of the submissions represented or were from various Queensland regions, in order of frequency, Brisbane Metropolitan, North Coast, North Queensland, Far North Queensland, South East and Darling Downs South West regions. Key Central Queensland Region interests were represented through bodies such as the Queensland Resources Council, Australian Mines and Metals Association, Kinetic Group, Queensland Rural Industry Training Council, AgForce and Queensland Farmers' Federation.

Analysis of submissions

In addition to making submissions available to Taskforce members to inform their deliberations, all submissions were qualitatively reviewed to capture the range of responses and issues relevant to the Taskforce ToR. Papers were then prepared for the Taskforce that identified key and emerging themes from the submissions and provided an extract of stakeholder views against the different aspects of the ToR. Key messages from the targeted meetings outlined in Appendix 3 were also included in the analysis of submissions.

Key themes and messages from Taskforce consultation process

Organisations and individuals who provided written submissions were generally supportive of the need for change and reform in the VET sector and the need for a clear strategy for VET into the future. This advice stemmed from views raised regarding the current system, which was acknowledged as functional, but in need of change in order to more effectively focus scarce training dollars on skills priorities and keep pace with the speed of economic change.

While there were mixed views on the role and future direction of TAFE, the majority of stakeholders were clear about the continued need for a public provider of VET in Queensland, albeit in a changing training market.

There was strong support for improving industry engagement throughout the VET sector, and for industry advice and leadership to influence the Government's investment in training.

Submissions acknowledged that while the current system does serve the majority well, new approaches are needed, including for apprenticeships and traineeships that respond to the changing needs of the labour market and Queensland economy.

The key themes drawn from these submissions concurred with advice provided to the Taskforce through reviews, presentations and further analysis by Skills Queensland and the Department of Education, Training and Employment.

Key messages for an industry engaged VET system

Central to the ToR is advice that will assist to transform the Government's investment to improve the match between training and job outcomes for individuals, employers and industry in a demand driven training environment. The ToR also includes advice on establishing the right governance structure of the VET system to ensure accountability, value for money and long term co-operation between industry and Government.

Engaging with industry

More effective and improved industry engagement, communication and influence in the VET sector was a common theme across the majority of submissions. It was stressed that industry must lead the identification of training priorities for the state, including local and regional needs. To achieve this, holistic planning was advocated incorporating industry, enterprise and employer views and ensuring consistency and comparability across industry plans to capture cross-sectoral needs. Stakeholders voiced the position that industry leadership would ensure training investment linked directly to skills development and training to achieve job outcomes, thereby enhancing workforce productivity. Some industries indicated there was also a need for increased preparedness by industry to support trainers with resources and exposure to current technologies and practices. Co-funding of training (government and industry) was put forward as a measure of further industry support.

Greater industry engagement and the development of mutually productive partnership model(s) with industry will be the key to enabling improved job outcomes for Queensland (Southbank Institute of Technology).

Submissions supported a separate entity to provide a focus on independent, industry-led advice to Government on the skill needs of industry and the economy. In this regard, submissions particularly supported the need for a direct and effective industry engagement mechanism/s, particularly for small to medium enterprises.

Stakeholders advised that the board membership of the suggested industry-led body/council should include smaller, as well as larger, influential industry groups. It was also highlighted that small business and remote area needs were undervalued in a centralised approach and measures to avoid this would need to be implemented.

Queensland needs to manage a finite training investment budget across the competing requirements of each sector. There is therefore a need for an intermediary entity between government and the various (Industry Skills Bodies) ISBs and the principle role of this entity must be to lead cross-sectoral skills planning (Construction Skills Queensland).

Submissions proposed a number of models for improved industry engagement. This included an independent skills commission or council (or similar structure), recognising and representing the industries critical to our four pillar economy.

In terms of mechanisms for industry engagement, many submissions indicated that the role of Industry Skills Bodies should continue in some form. However, some stakeholders believed there needed to be a rationalisation of the number of these industry engagement bodies in Queensland and that responsibility for these bodies sit with industry. It was suggested a standardised framework outlining clear responsibilities for industry engagement be implemented across the system to assist to streamline roles and processes.

Need for industry to own and manage the advisory (Industry Skills Body) mechanism. The industry ownership will enable a more strategic approach to predicting the needs of employers and in partnership with industry and government, design and enable a range of workforce development projects, training products and services to be managed efficiently and effectively (Queensland Rural Industry Training Council).

To support employers, submissions highlighted the need for streamlined information and promotion of VET training opportunities to be provided. It was outlined that employers also needed support to develop effective workforce planning practices that clearly articulated the skills required to achieve their business objectives. Submissions necessitated the need to strong messaging from the VET sector on the importance of skills development.

A policy approach that values investment in building the capacity of all industries to undertake workforce planning and development will result in legitimate industry led systems to determine supply and demand factors and driving effective policy and purchasing interventions across all industries (Health and Community Services Workforce Council).

To promote quality across the system, submissions suggested implementation of an effective feedback loop to gauge the effectiveness of any new planning and skilling priority decisions, and to assess the quality of training and employability of graduates. Stronger industry engagement was also proposed to produce contemporary training products that more closely align to industry and employer needs.

Transforming VET investment leading to a demand driven system

Submissions strongly supported the structuring of government-funded training subsidies to encourage the purchase of training in skill priority areas that are needed to boost the productivity of Queensland's workforce, stating that Government funding should be prioritised for high priority training, with non-priority training receiving limited or no government subsidy. It was noted by many submissions that the demand-driven training market needs to be informed by direct engagement with industry.

Identified skills shortage areas should be funded at a higher rate than other courses, which would then lower the costs for students in these identified areas. It would also mean that other courses would therefore attract higher fees from students. This would create both a push and pull affect into the skills shortage areas (Caboolture Community Adult Literacy Group).

Although supportive of maintaining a public provider, it was believed funding should be more contestable and go to those training providers (whether private or public) who could best deliver the

training. Pricing models for the provision of funding were raised and submissions indicated that pricing should provide quality outcomes by enabling sufficient research, product and staff development. Current pricing models were seen as too broad to adequately account for the cost of quality training provision, with particular reference to regional areas.

Submissions were clear that funding should be directed towards priority skills sets as well as qualification outcomes and be made available across all qualification levels and all age groups, remembering that thin and regional markets will need to be accounted for. Furthermore, it was indicated that Government funding for both skilling and re-skilling options should be provided to support Queensland's transient workforce. It was made clear that pathways to higher level skills must be considered when prioritising funding.

A funding prioritisation process needs to be established to determine what qualifications and skills sets are in highest demand, and are essential to stimulate and build the productivity of Queensland's workforce (Energy Skills Queensland).

Information to clients was another key theme of the submissions. Many submissions outlined that individuals, enterprises and employers require quick and easy access to information that provides meaningful comparisons across training providers including quality, available courses, pathways and associated subsidies and student contributions (training prices). It was also considered important to support individuals with advice on career opportunities and provide links to 'real' opportunities for employment. Stakeholders were clear that industry expects high quality client-focused programs that are more learner and work-centred and promote employability skills.

Clients need much greater access to performance data and accurate information about learning options and pathways to make informed choices about the relative value of a training provider. While transparency is critical, the data and information must also be presented in a way that facilitates meaningful comparison across training providers. Notably, public reporting of this kind already applies across other learning sectors in Queensland (Construction Skills Queensland).

Appropriate regulation and quality control was seen as critical by stakeholders in a demand driven system. Quality training delivery was another important theme through the submissions. Quality workplace delivery was encouraged in a number of submissions as was streamlining administrative systems and processes to move employers away from purchasing non-accredited training options.

The State must set high quality criteria for access to government subsidies and monitor/regulate the maintenance of quality training provision in the market. Focus on quality of the learning environment, content and delivery, not on finding the cheapest way of delivering (Queensland Fitness, Sport and Recreation Skills Alliance).

A new investment framework for VET in Schools

VET in Schools (VETiS) was seen by all respondents as an important pathway. However, some stakeholders emphasised the need for a redefined policy and an overhaul, including a focus on transitions achieved by VETiS participants.

High level of satisfaction and support for school based VET stems from the opportunity to 'try out', which allowed both parties to check out the suitability and aptitude requirements of the trade, without jeopardising a young person's school completion (Baking Industry Association of Queensland and Norm Jagger Consulting).

Submissions recognised the importance of VETiS as a way to keep some students engaged in learning and that legitimate outcomes included testing career options and pathways to further study, as well as employment. With regard to further study, submissions mentioned the need for schools to promote both VET and university pathways, to match the students' learning style. Alignment of school-based VET programs with projected skills shortages was highlighted by many submissions as an effective way to improve outcomes.

QCU is broadly supportive of the provision of VET in schools but would reiterate comments with respect to the direction of resources towards skill shortages (Queensland Council of Unions).

Submissions outlined industry concerns with the quality and value of VETiS qualifications to the workforce with industry advocating for stronger partnerships to be established between industry and schools to ensure industry relevant training. Concerns were expressed about institutional delivery of higher level qualifications without appropriate work placement to support the off-the-job learning and the capability of trainers involved in VETiS delivery. Industry indicated VETiS teachers needed access to industry led training to ensure basic competencies were being met at the required standard. Some views indicated time and investment would better be spent in raising the literacy and numeracy standards of students to better prepare them for a workplace environment. Concern was expressed regarding the low numbers of trade teachers attracted into the teaching profession.

While there are benefits in awareness and preparing some students with base skills this is not happening in a clear, industry endorsed framework (Bundaberg Fruit and Vegetable Growers).

Stakeholders raised funding for VETiS programs, stating that funding needs to be reconsidered. Issues identified in submissions included lack of sufficient funding for VETiS delivered by private training organisations and perceptions of dual funding of students at school and attending VET at TAFE. Submissions highlighted that delivery costs in schools were significantly higher for VET subjects than for school subjects.

The VET system should only fund VET in schools where the cost of the modules and compliance exceeds the resources allocated to schools for an average senior secondary teaching load. Unnecessary subsidisation of schools only serves to reduce the efficiency of Queensland's public training investment (Construction Skills Queensland).

Key messages for the strategic direction of TAFE

The ToR articulated a clear role for the Taskforce to advise on the strategic direction of TAFE Queensland. The Taskforce considered the appropriate role for TAFE Queensland in supporting the four-pillar economy, current offerings and outputs of TAFE and the quality of these, the level and nature of industry involvement and the operational efficiency of TAFE including asset management, workforce management, organisational structures and operating systems.

Collectively, submissions provided overwhelming support for continuing the public provider into the future, however, felt that significant reform of TAFE Queensland was required for it to remain viable in the changing VET environment. Stakeholder comments:

- affirmed the value and role of TAFE Queensland as a key provider supporting the Queensland economy and as an instrument of government policy

- recommended shifting TAFE to a more financially viable, commercial, autonomous, responsive and less bureaucratic structure supported by a modern, relevant industrial relations framework and rationalised assets and infrastructure
- recommended new and improved ways of teaching mediums (e.g., online and improved flexibility in training delivery)
- recommended creating better alliances and engagement with industry and business to facilitate delivery of outcomes aligned to economic need.

The focus areas of the majority of submissions included TAFE's role and function, financial viability, assets, industrial relations framework and workforce, governance and organisational structure, and transition arrangements. The advice provided on each is outlined in the following sections.

Role and function

TAFE's continued role in the Queensland VET system was supported in many submissions as valuable to both the sector and the economy. In addition, TAFE branding was perceived to provide a 'brand promise' of quality and consistency by some.

Support the maintenance of strong, dynamic and accessible public VET providers in the form of TAFE Queensland institutes, which are also able to address regional skills needs. The role of TAFE is complemented by high quality, innovative and flexible private registered training organisations (Springfield Land Corporation).

Some industries saw TAFE as the major provider of trade based education and as a provider of knowledge and skills that would otherwise not be available in the workplace or through private training providers.

Submissions emphasised that TAFE's role into the future must be one that supports the Queensland economy, engages effectively with industry and employers, and delivers the skilled workers that industry, employers and regions need. It must also be an effective instrument of government social and economic policy, and be a truly competitive provider.

The role of TAFE as a provider of pathways, community service obligations including rural and remote training provision and access for equity groups, was also important to many stakeholders.

TAFE provides services in regional and rural areas, in the absence of private RTOs who often do not deliver in the regions (Creative Industries Skills Council).

TAFE should continue to ensure access and equity to all Queenslanders while keeping a commercial focus on sustainability for our future. They should be a key part of the drivers of economic policy for the Government through the provision of skills (Mr Warren Tapp).

TAFE was seen as an important pathway to, or entry into, higher education, however stakeholders believed that work needed to be done to improve articulation and credit transfer arrangements to facilitate a smooth transition and partnerships formed with universities to enhance a student's education experience.

TAFE is an increasingly important pathway to further training and/or higher education. Providing such pathways is a vital role for TAFE Institutes, in addition to its training mission, and makes its own contribution to economic capacity (TAFE Directors Australia).

Financial viability

With regard to TAFE's financial viability, submissions considered that TAFE Queensland, in its form at the time of consultation, was a failing business and unsustainable in the longer term. TAFE stakeholders raised various issues including the lack of autonomy, lack of control over investment and reinvestment decisions, unstable and varied revenue sources, industrial relations constraints, government owned and controlled assets and mandated use of central departmental services, policies and procedures. Issues of this nature were seen to result in commercial disadvantage for TAFE in an open and contestable training market moving forward.

A majority of submissions highlighted the need for TAFE Queensland to shift to an industry driven, commercial model with a focus on efficiency, effectiveness, competitiveness and innovation to improve financial viability into the future. This would allow institutes to build new revenue streams and remain viable when competing with private providers in a more contestable market.

The Institute Council accepts that the current financial viability of the Institute is problematic in the Institute's current configuration and within the current Industrial Agreements (Wide Bay Institute of TAFE Council).

The best way to ensure the viability and longevity of TAFE Queensland is to provide it with the autonomy and flexibility required to compete in an increasingly competitive environment. Increased competition will be the key driver to shift TAFE delivery (Skills Queensland).

There was clear support in a number of submissions for government funding to move to an outcomes based model based on both qualification completion and achievement of employment outcomes. Key to this move was seen to be accurately identified, costed and separately funded service obligations expected of the public provider. Directing less money into administration and making more funding available for actual training (this includes training resources and student services) was also supported in submissions.

A measured and orderly transition to greater contestability and modelling to measure transparently sufficient funding to maintain the role of TAFE through both the transition period and into the future, including funding sufficient to support its mission as a public entity and its contribution to community service (TAFE Directors Australia).

Limit non-contestable funding for TAFE to those areas where it has a clear community service obligation or there has been a market failure. This funding should be provided on the basis that clear Key Performance Indicators are met, with a medium to long-term view of phasing out non-contestable funding as new providers enter the market. TAFEs operating in sustainable markets should move to commercial models of operation, or withdraw from the market (Chamber of Commerce and Industry Queensland).

Assets

Many stakeholders perceived TAFE infrastructure as out-dated, poorly maintained, costly, inefficient and underutilised.

The current levels of investment will lead to further decline in the quality of the asset base through inadequate maintenance and upgrades. While the value of the assets will increase as land values increase, the infrastructure base will, critically, be less capable of meeting strategic and business

objectives each year for the public provider (Aurecon, GHD, Jones Lang LaSalle and Norm Jagger Consulting).

Submissions were largely united in calling for a rationalisation of TAFE assets so that additional investment can be made in revitalising institutes, infrastructure, equipment and ICT. TAFE stakeholders wanted to see assets owned and controlled by the TAFE institutes at the local level. Other stakeholders supported more effective use of existing TAFE assets and offered utilisation suggestions such as leasing to third parties and forming industry and community partnerships, particularly in regional areas.

Consolidation of TAFE building assets to the State and in turn establishing leasing agreements for training delivery spaces will drive commercially responsive decision making and untied public assets for improved efficiency by making them available to other parties. The consolidated management of assets across the state will allow for improvement in utilisation rates through commercial leasing to third parties and encourage the sale of underperforming assets (Mr Brett Schimming).

Industrial relations and workforce

Submissions frequently identified the inflexible industrial relations framework and that staff are employed by the Department and not individual institutes as significant challenges for TAFE. The industrial relations framework was seen by many stakeholders as the primary inhibitor to improving TAFE's efficiency and effectiveness, and a hindrance to competing with private training providers and better meeting the needs of industry and employers.

The industrial relations framework for the TAFE sector has long been obsolete and has acted as a hindrance as TAFE has attempted to compete with the private sector delivery of skilling programs. The stranglehold this has placed on TAFE institutes is the primary inhibitor to its ability to improve its efficiency and effectiveness (Metropolitan South Institute of TAFE).

It was clear that TAFE institutes want to employ their own staff. Institute stakeholders reported that employment arrangements need to be less 'public service' based and negotiated within each institute, with whole-of-government policies not applying unless regulated. Submissions on the whole identified that an autonomous industrial relations framework would enable more efficient staff utilisation, faster responses to market needs, competitiveness with private RTOs and ability to attract and retain appropriately qualified and experienced staff.

In addition, a small number of submissions supported workforce development and career progression.

That system wide structured professional development be developed for educational staff to address development of teaching skills particularly in the areas of flexible and online delivery and that this be linked to career progression (Queensland Teachers' Union).

Governance and structure

It was believed that TAFE's efficiency, effectiveness and profitability are hampered by departmental control. Submissions were clear in their call for TAFE to be separated from the Department and be established within a legal framework that allows institutes to have the autonomy and independence to renew their organisational structures and compete commercially.

TAFE requires a 'level playing field' with private providers in terms of bureaucracy, industrial relations, autonomy and financial risk (borrowing and reinvestment of surpluses) through an extended version of the publicly owned statutory authorities (Metropolitan South Institute of TAFE).

To compete effectively in emerging and maturing markets, TAFE Queensland needs to be managed on commercial principles. These changes need to be more significant than that evident in the two TAFE institutes currently operating as statutory authorities (TAFE Directors Queensland).

Submissions were varied in opinion on the number of, and ultimate structure of, institutes within the 'ideal' TAFE Queensland. Options put forward included the establishment of TAFE institutes as Government Owned Corporations (GOCs); establishment of TAFE Queensland as a single GOC/corporatised entity; and expansion of the statutory institute model. Franchise-type models were also identified as an alternative. Commonly, submissions supported a commercial governance model for TAFE Queensland.

A single corporatised TAFE Queensland would allow it to compete on a level commercial basis with private sector providers, providing incentives to increase efficiency and effectiveness of service delivery while allowing the government, as owner, to continue to provide broad direction by setting and monitoring key performance targets and community service obligations (Skills Queensland).

QCU would urge the adoption of one Statutory Authority for all TAFE institutes throughout the State of Queensland. The reasons for this are quite self-evident in terms of avoiding duplication of resources and delivering economies of scale (Queensland Council of Unions).

Industry led boards was another common suggestion across submissions, along with TAFE institutes developing stronger links with industry through collaborative partnerships and strategic alliances.

Transition to new arrangements for TAFE

TAFE institute submissions commented on the transition to new arrangements, with one suggesting 'fast-tracking' of the reforms proposed in the Taskforce's Interim Report, particularly institute amalgamations, to minimise the potential negative effect of speculation and uncertainty on TAFE operations, performance and continuity of service delivery.

Since the release of the Interim Report, TAFE institutes have become shrouded in speculation and to a degree are 'marking time' waiting for the changes to manifest themselves. This has the potential to destabilise TAFE operations and create an environment where the management team and workforce are distracted from their external market focus, adversely impacting delivery of business services and performance (Metropolitan South Institute of TAFE Council).

Submissions suggested that the most effective transition would occur with maximum local community and workforce engagement. It was acknowledged that a body of complementary work would need to occur at the Central Office level, and hence considerable co-ordination and project planning and effective change management would be required.

A comprehensive plan to transition TAFE from the old to a new business model, including asset replacement, asset disposal and quality IT strategies, would need to be developed as quickly as possible (Baking Industry Association of Queensland and Norm Jagger Consulting).

Key messages for apprenticeship and traineeship reform

A further role of the Taskforce was to consider the regulatory and 'red tape' barriers for employers wishing to hire new apprentices and trainees, as well as training pathway reforms to increase completion rates and improve the match between training and job outcomes for individuals, employers and industry.

There was a clear and consistent message from submissions for the continuation of apprenticeships, praising the longevity of traditional trades in servicing industry and the success of traineeships covering those industries not serviced by trades. However, submissions also strongly supported the need for new approaches, particularly in the apprenticeship system, as the system as it stands does not fully meet the current, faster-paced needs of the workforce or the economy.

The changing nature of work and the propensity for individuals to have multiple career paths is at odds with the length and time of the apprentice model (Gold Coast Institute of TAFE).

The concept of indenture has no place in a modern society. People entering the workforce are now expected to have 15 jobs and numerous careers throughout their working life. We must facilitate the ability to move in and out of apprenticeships with ease in order to accommodate for current social behaviour (BUSY At Work).

Many submissions reported that the apprenticeship and traineeship systems were contractually complex and onerous – particularly the sign-up process, and that the number of stakeholders in the system has led to confusion and duplication of effort.

The system is overly complex (duplication and number of stakeholders) and needs to be simplified to allow on-line registration of apprenticeships and traineeships and an avenue to notify of issues (Group Training Association of Queensland and Northern Territory).

Streamlining the system was a reoccurring request across submissions. Reoccurring 'red-tape' reduction strategies included:

- streamlining the process to introduce a new apprenticeship or traineeship to an industry – it is currently time consuming and cumbersome, which is out of sync with providing timely and relevant training, particularly to emerging industries with emerging needs
- the need for harmonisation of cross-state trade related issues, such as licencing, to give national employers the flexibility to deal with apprentices and trainees across borders
- enabling training to follow the apprentice or trainee, even when they change employers, to help reduce training contract cancellations by severing the apprenticeship link to the employer and having the training contract separate from the employment contract.

Apprentices must be able to leave an apprenticeship with one employer and move to a new employer with ease. The apprenticeship contract must have the same flexibility as any other type of employment contract (BUSY At Work).

Many submissions emphasised the need for apprenticeships and traineeships to become more attractive options for all groups of people, and that the system needs to increase wages and provide pathways to higher level skills and valued careers.

Submissions called for an increased number of women, mature aged workers and other groups that are currently under-represented to take on trade training. With regard to mature-aged workers, a

common suggestion was the need to quickly recognise the value of their existing skills and provide additional pathways to get these workers trained faster.

Continue to invest in public campaigns to educate employers and recruitment agencies of the value of mature-aged workers and the talents, networks and life-experiences they bring to the workplace (Automotive Skills Queensland).

In regional and remote areas, submissions pointed out that the most prevalent barrier to increased participation was the lack of access to training environments and the cost involved to gain this access. To further boost participation rates, some submissions requested incentives for employers to take on apprentices. An example given was to reduce payroll tax for first and second year apprentices.

Many stakeholders emphasised that the total length of apprenticeships, as well as the length time and/or the effectiveness of the probationary period with the employer before commencing training, were too long. Suggested remedies included further work on competency based wage progression and introducing the training component earlier to assist with motivation.

In addition, the time period for undertaking an apprenticeship is not attractive. While Queensland has competency based progression for trades, the wages progression becomes the controlling factor for completion timeframes. Apprentices who are deemed competent in skills are often held back on wages progression based on the time expectations by employers (Mr Brett Schimming).

Many submissions encouraged employer and training provider partnerships incorporating training delivery in the workplace and/or working together to support shared ownership of the outcome of successful completion. Additional support for the apprentices/trainees and employers was also mentioned by several stakeholders.

That apprentices/trainees and their employers are supported with mentoring and coaching resources to improve the reliability and resilience of the apprentice/trainee and capacity of the employer (Workforce North).

There were mixed reactions by stakeholders, usually industry dependant, to the suggested use of alternative delivery methods such as workplace and on-line delivery of training to reduce the time away from the workplace in training.

Another theme throughout the submissions was the importance of foundation skills – literacy, numeracy and general employability skills – as they were considered crucial by stakeholders to successful completion.

Existing trade training pathways could be improved if “quality assured” RTOs were given legislative allowance to provide mandatory employability skills and quality controlled diagnostic literacy and numeracy testing within the probation period. Beyond doubt this would provide the foundations to support the apprentice or trainee to gaining a much higher percentage of completion (Metropolitan South Institute of TAFE).

There was considerable support for pre-apprenticeship training, with a strong practical component, to enable off-the-job training to be undertaken before commencing employment. With this component out of the way early, it was felt that employers would be more inclined to take on apprentices and trainees. This would also help reduce the sector’s sensitivity to economic cycles.

Providers must have the ability to utilise different training models for different apprentice cohorts incorporating institutional training pathways for new entrants that inoculate counter-cyclical skills development and break the nexus with the economic cycle (SkillsTech Australia)

Offer a pathway to young people to complete all the formal institutional training up-front to Certificate III, along with a work experience component to prepare students for work while at college before being formally indentured with an employer (Barrier Reef Institute of TAFE).

Another suggested alternative to the traditional apprenticeship model was to encourage dual trade qualifications, where appropriate to the industry sector.

A workshop on apprenticeships and skilled trade outcomes was convened by the Taskforce Chair on 15 October 2012. The outcomes of this workshop provided further suggestions for effective apprenticeship reform. Many of the recommendations made would be within the State's powers to implement, offering swift relief for apprentices, their employers and stakeholders in a range of ways including through administrative efficiencies, implementation of a range of alternative trade skills pathways complementary to the structured training system, and more flexibility with multiple entry and exit points.

Concluding remarks

This report on the Queensland Skills and Training Taskforce's consultation process is intended to provide an analytical summary of written submissions and advice received, and to highlight key themes against the ToR as discussed in the body of the Final Report.

In addition to targeted face-to-face consultation with key stakeholders, it is important to note that submissions were open to all interested parties and members of the general public, with provision for confidential submissions. In total, 91 written submissions were received. The list of contributing organisations and individuals is provided at Appendix 4.

The results of consultation are not promoted as being representative of all stakeholder views across the VET system, only those who provided a submission or advice to the Taskforce. The majority of submissions were substantial and well-considered, indicating the contributors' high degree of engagement with the work of the Taskforce. A wide range of views and ideas were raised necessitating that this report capture those messages that were recurring across a number of submissions.

Broadly speaking, the written and face-to-face consultation processes yielded similar key themes and issues, which concurred with contemporary reviews and reports on the VET sector and departmental analysis. The feedback provided substantial support for the direction proposed in the Final Report.

The Taskforce extends its gratitude to all contributors for their ideas for a new era of VET in Queensland.

The consultation report is provided as an attachment to this Final Report to Government.

Queensland Skills and Training Taskforce
Consultation Package

July 2012

The bottom of the page features a decorative graphic consisting of several overlapping, wavy lines in shades of blue and yellow, creating a sense of movement and flow.

Purpose

The purpose of this paper is to provide background information and questions to assist stakeholders provide comments and views against the Queensland Skills and Training Taskforce Terms of Reference. While the information contained in this paper is not exhaustive, it is intended to help inform considerations about future reform directions for vocational education and training (VET) in Queensland.

Queensland Post-secondary Education and Training Review

<http://training.qld.gov.au/resources/information/pdf/qpet-report.pdf>

The most recent review of Queensland's VET sector is the Queensland Post-secondary Education and Training (QPET) Review, which was released in August 2011. The QPET Review was commissioned following the completion of the *Queensland Skills Plan* to help identify the priorities for reform in the next cycle of economic growth.

The review found significant economic and demographic challenges including a decline in the underlying level of productivity growth; differential levels of workforce participation; and differential rates of population growth and ageing across Queensland.

Specifically, the review report concludes that the key issues to be addressed include the relatively low levels of literacy and numeracy; declining participation rates in post-secondary education and training; potential for unbalanced growth between VET and higher education; student attrition rates; relatively low levels of industry satisfaction with VET delivery; and the work readiness of graduates.

Skills for Prosperity – a roadmap for vocational education and training

<http://www.skillsaustralia.gov.au/tertiary-sector-reform/skills-for-prosperity/documents/SkillsProsperityRoadmap.pdf>

In May 2011, Skills Australia released *Skills for Prosperity – a roadmap for vocational education and training* to inform future reform directions for the national VET sector as part of the Council of Australian Government's (COAG) review of the National Agreement for Skills and Workforce Development.

This report was based on a discussion paper released in October 2010 and national consultations during November-December 2010.

The report identified that VET sector financing is overly complex, and states that centrally organised funding has proved less than effective in addressing demand. It also states that the needs of learners and enterprises have been obscured and their choices constrained by a supply side approach leading to overlapping jurisdictional solutions.

This report proposes comprehensive reforms for the way the Australian VET sector is developed, organised and financed. Recommendations for the future express an ambitious vision of growth to meet future skills needs and, through this, the realisation of improved workforce participation, enterprise productivity and social inclusion.

Key required skills are:

- foundation skills (e.g., language, literacy and numeracy)
- skill needs in critical areas (e.g., skilled trade areas and engineering and health professional occupations)
- multiple and higher-level skills and qualifications (Certificate III and above).

The report argues for an increased and sustained public investment in VET of an average of \$310 million per year accumulating over the period to 2020, to help ensure all Australians have the opportunity to share in prosperity. However, it also argues for transformative shifts in the architecture of the VET sector so it is capable of delivering the significant results needed. These include:

- an individual and enterprise demand led model of public funding
- industry leadership of funding to enterprises
- redesign of financial incentives and services for employers, apprentices and trainees
- a restructuring of provision in local communities to avoid duplication of effort between federal and state agencies
- improved RTO accountability in teaching and assessment with outcomes linked to funding
- increased flexibility in teaching methods and review of VETis.

The report aims to reflect COAG's national reform agenda.

Queensland Skills Plan Evaluation

<http://training.qld.gov.au/resources/information/pdf/skills-plan-evaluation-report.pdf>

The *Queensland Skills Plan*, launched in 2006 and updated in 2008, was evaluated in 2010 to assess the impact of the plan on Queensland's VET sector and to inform future reform directions. The evaluation report was released in 2011.

The evaluation report found that:

- Queensland's VET system has improved its response to market demand
- TAFE is more commercial and responsive to industry and students
- the VET sector offers more flexible and innovative delivery strategies
- student achievement outcomes have improved
- VET participation rates remain below the national level.

In relation to disadvantaged learners, the evaluation report found that VET participation rates remained low, however, initiatives such as the *Skilling Queenslanders for Work* and the *Positive Dreaming, Solid Futures Indigenous Employment and Training Strategy 2008-2011* had started to achieve long term sustainable employment outcomes.

In terms of increasing industry engagement, the evaluation report found that new industry engagement models have improved strategic advice and collaboration on workforce solutions and created greater industry ownership of and leadership in skills development. However it was noted that, based on data provided to NCVER, Queensland receives less revenue from non-government sources than any other state or territory.

A shared responsibility - Apprenticeships for the 21st Century - Final Report of the Expert Panel

<http://www.australianapprenticeships.gov.au/FAQ/Documents/Apprenticeshipsforthe21stCenturyExpertPanel.pdf>

The Australian Government appointed a panel of external experts to develop reform options for the Australian apprenticeships system. The report was released in 2011 and contains a range of recommendations designed to achieve a high quality Australian apprenticeships system to meet skill needs for a changing Australian economy.

The report found that the Australian apprenticeships system will require significant improvement in retention and completion outcomes, and its impact on productivity and innovation, if Australia is to respond effectively to the challenges of competing in a global marketplace. The report identifies a number of major challenges to meeting the skills needs of the 21st century economy including:

- skills shortages
- systems sensitivity to the economic cycle
- completion rates – unacceptably low representing significant economic cost
- investment in training by employers – current rate and patterns of investment in training by employers will not address skills shortages
- the system is complex – unclear to users
- misalignment of the Australian apprenticeships system and the workplace relations system.

Four themes emerged in the report that highlighted challenges and thus potential reforms to enhance the apprenticeship system's ability to contribute to national productivity. The four themes are:

- a model of skills formation – the combination of employment-based training and formal off-the-job training has proven to be a successful model over a long period of time
- leadership of the system – a perceived lack of effective overall governance arrangements needs to be remedied by appointing a single custodian of the Australian apprenticeships system. Included in this role would be the clarification of roles and consolidation of stakeholders within the system
- sustainability of the system – a shared investment by both government and industry is essential to build apprentice, trainee and employer support mechanisms into the system. A formal accreditation process for employers of apprentices and trainees to be established to ensure national consistent standards for employment and training. Current Australian Government investment should be redirected to support successful completions of Australian apprenticeships. The quality of VET in schools to be formally regulated to enhance consistency and quality of training. Competency based progression in apprenticeships and traineeships in partnership with industry bodies and employers should be promoted
- interaction with modern awards and workplace relations legislation – the workplace relations framework needs to complement and support the VET system, be responsive to the needs of industry and encourage the take-up and completion of apprenticeships and traineeships.

Additional report relating to reform of the apprenticeship system:

<http://www.australianapprenticeships.gov.au/FAQ/Documents/AATFinalReportDec2009.pdf>

Productivity Commission report on the impacts of COAG reforms: Business Regulation and VET, Volume 3, VET

http://www.pc.gov.au/_data/assets/pdf_file/0003/116742/coag-reform-vet.pdf

The Productivity Commission, reporting on the economic impacts and benefits of COAG's VET reform agenda, suggests several areas with the potential to improve VET reform efforts. These include improvements to information available to prospective students, for example, course costs and employment outcomes at a provider and course level and the quality of VET delivery, increased access to income-contingent loans and payments to providers on completions.

The Commission also suggests further consideration of skill sets as opposed to full qualification attainment as a VET activity measure. For example, once an individual has a higher-level qualification, further skills might efficiently be gained by undertaking specific modules only.

The report also states that a successful move to a more competitive system requires a number of 'building blocks', including:

- regulatory systems that can identify and respond to poor performance
- mechanisms for timely information collection and data analysis
- provision of adequate information about employment outcomes to potential VET clients
- governance arrangements that allow public providers greater autonomy and capacity to compete with other providers.

Systems to pay providers on outcomes achieved, including progressive payments (for example, on module completions) rather than input measures, might also need to be developed.

Chapter 3 of the report discusses the different approaches and experiences of other jurisdictions in implementing COAG VET reforms.

National agreements

http://www.federalfinancialrelations.gov.au/content/national_agreements/skills_workforce/skills_agreement_new.pdf

http://www.federalfinancialrelations.gov.au/content/national_partnership_agreements/Other/COAG/Skills%20Reform.pdf

Australian Government funding provided to Queensland for VET is administered under the Intergovernmental Agreement on Federal Financial Relations and paid via a Specific Purpose Payment and National Partnership Agreements. Of direct relevance to the work of the Taskforce is the National Agreement for Skills and Workforce Development (NASWD), which is associated with the Specific Purpose Payment, and the National Partnership Agreement on Skills Reform (NPASR).

COAG signed the revised NASWD and agreed the NPASR in principle, subject to implementation plans being agreed, at the 13 April 2012 meeting.

The NASWD clarifies and guides the roles and responsibilities of the Queensland and Australian Government for VET and specifies high level objectives and outcomes for the national VET sector.

The objective is a national VET sector that:

- delivers a productive and highly skilled workforce that enables Australians to develop skills and qualifications needed to participate effectively in the labour market and contribute to Australia's economic future
- supports achievement of increased rates of workforce participation.

The outcomes sought from the national VET sector are:

- skill levels of the working age population increased to meet the changing needs of the economy
- all working age Australians have the opportunity to develop skills
- training delivers skills and capabilities needed for improved economic participation of working age Australians.

The NPASR will provide Queensland with access to up to \$356.9 million over five years (2012-13 to 2016-17) to reform the training system in the State and improve training outcomes.

Specific reforms to be implemented under the NPASR include:

- a national minimum training entitlement to a government subsidised training place up to Certificate III level
- Income Contingent Loans for government-subsidised diploma and advanced diploma courses
- pilot of external validation of training provider assessment practices
- strategies to enable public providers to operate effectively in an environment of greater competition
- improved consumer information through a My Skills website
- an additional 375 000 student qualification completions across Australia over the next five years (equating to an approximate 51,000 additional completions in Queensland).

Statutory bodies that contribute to the VET sector in Queensland

The Taskforce's Terms of Reference refer to statutory bodies that contribute to the VET sector in Queensland. The *Vocational Education, Training and Employment Act 2000* identifies these bodies as:

- Skills Queensland
- Southbank Institute of Technology (SBIT)
- Gold Coast Institute of TAFE (GCIT)
- The Queensland Studies Authority (QSA).

A summary of these bodies' key roles (that contribute to the VET sector) is provided below and further information is available in the *Vocational Education, Training and Employment Act 2000* and the *Education (Queensland Studies Authority) Act 2002*.

<http://www.legislation.qld.gov.au/LEGISLTN/CURRENT/V/VocEDTrEmA00.pdf>

<http://www.legislation.qld.gov.au/legisltn/current/E/EducQStAuA02.pdf>

Skills Queensland

Skills Queensland's key role is to advise the Minister on skills and workforce development issues and delivery of quality VET. Its role includes working with industry to boost industry investment in skills and workforce development (through its Annual Skills Investment Plans) and to ensure Queensland has the high quality skilled workforce to meet industry skills demands in a timely way.

Statutory TAFE Institutes

Statutory TAFE Institutes' role is to provide VET services effectively, efficiently, and in commercially successful ways while also meeting their community service obligations. The Taskforce's second Term of Reference deals with a range of matters that relate to the strategic direction of TAFE, including the two statutory institutes, SBIT and GCIT.

Queensland Studies Authority

The QSA's main contribution to VET has been undertaken via delegation from the Training and Employment Recognition Council in accordance with the provisions of section 186 of the *Vocational Education, Training and Employment Act 2000*. Under the delegation, QSA had the authority to accredit relevant VET products and to register schools as registered training organisations and to undertake compliance audits of the school registered training organisations. There are currently some 370 Queensland schools registered to deliver qualifications to Certificate III level.

QSA's delegated role under the *Vocational Education, Training and Employment Act 2000* is being considered in light of the referral of regulatory powers from the Training and Employment Recognition Council to the Australian Skills Quality Authority from 1 July 2012.

The Department of Education, Training and Employment is currently undertaking a longer-term review of the QSA. Advice and recommendations from the Taskforce concerning QSA's contribution to the Queensland VET sector may also contribute to this existing review.

Questions to guide responses to the Taskforce's Terms of Reference

The following questions are provided to guide responses to the key elements of the Taskforce's Terms of Reference. Stakeholders may choose to address some or all of the questions below, or provide a submission structured in an alternate way.

Questions

1. What do you think the core role and functions of TAFE as Queensland's public provider of VET should be in the future?
2. What changes do you think need to be made to enable TAFE Queensland to perform the role and functions that you identified in question one?
3. How can the level and quality of current offerings and outputs of TAFE Queensland be improved?
4. What changes need to occur to ensure the VET system in Queensland is demand driven and has an increased focus on job outcomes?
5. What changes need to occur around industry engagement with TAFE that would result in improved job outcomes for Queensland?
6. Do you perceive any differences in outcomes for your sector from statutory TAFE institutes (SBIT and GCIT) compared to other TAFE institutes?
7. What are your views on existing trade training pathways in your industry/sector and how might these be improved to increase skill outcomes including completion rates in trade qualifications?
8. What changes need to occur to break down regulatory and red tape barriers that hamper employment of apprentices and trainees in your industry/sector?
9. In reference to the statutory bodies identified in the background information, which of these impact on your industry/sector?
10. In relation to the statutory bodies you have identified in question nine what changes need to occur (e.g., roles, membership, functions) to ensure efficiency and effectiveness of the operation of these bodies leading to increased skilled workforce outcomes?
11. Has your industry/sector benefited from the growth in provision of VET in schools?

Submissions may be provided via email Skills.Taskforce@dete.qld.gov.au or post:

Queensland Skills and Training Taskforce secretariat
Department of Education, Training and Employment
PO Box 15033
CITY EAST BRISBANE QLD 4002

Please Note: Submissions or parts of submissions may be published by the Department of Education, Training and Employment after the close of consultation. The Department reserves the right not to publish confidential correspondence, or correspondence that is irrelevant, defamatory or otherwise unsuitable for publication. If you believe that your correspondence (or part of it) should not be made public, clearly write 'Confidential' on each page and, in a brief covering letter, explain why the correspondence should be treated confidentially.

APPENDIX 2

Peak bodies for direct consultation

Key Stakeholder Organisations	Key contact	Position
AgForce	Mr Brent Finlay	President
Australian Mines and Metals Association	Mr Steve Knott	Chief Executive
Australian Petroleum Production and Exploration Association	Mr Rick Wilkinson	Chief Operating Officer
Australian Workers Union	Mr Bill Ludwig	State Secretary
Central Queensland University	Prof Scott Bowman	Vice-Chancellor
Construction Skills Queensland	Mr Brett Schimming	Chief Executive Officer
Consult Australia	Ms Stacey Rawlings	Qld Manager
Engineers Australia	Mr Ian McEwan	Executive Director
Group Training Association of Queensland and Northern Territory Incorporated	Mr Dave Mitchell	Executive Officer
Health and Community Services Workforce Council	Mr Wallis Westbrook	Executive Director
Lifelong Learning Council Queensland	Mr Merv Gardner	President
Master Builders Association	Mr Graham Cuthbert	Executive Director
National Association of Graduate Career Advisory Services	Ms Rebecca Boddington	Qld State President
Queensland Indigenous Education Consultative Committee	Ms Gina Archer	Chair
Queensland Chamber of Commerce and Industry	Mr Stephen Tait	Chief Executive
Queensland Council of Unions	Mr John Battams	President
Queensland Farmers Federation	Ms Joanne Grainger	President
Skills Queensland	Mr Greg Kempton	Board Chairman
TAFE Directors Australia	Mr Martin Riordan	Chief Executive Officer
Universities Australia	Ms Belinda Robinson	Chief Executive
Urban Development Institute of Australia (Qld)	Mr Matt Wallace	President

APPENDIX 3

Targeted consultation and face-to-face meetings with stakeholders

Stakeholder	Attendees	Date
Central Queensland University (CQU)	<ul style="list-style-type: none"> - Scott Bowman, Vice-Chancellor and President, CQU - Nik Babovic, Deputy Vice-Chancellor (Industry and Vocational Education and Training), CQU 	25 June 2012
Past VET and TAFE review authors	<ul style="list-style-type: none"> - Peter Noonan, Director, The Allen Consulting Group - Peter Henneken, Chair, Ministerial Taskforce for the Transformation of TAFE Queensland 	5 July 2012 16 July 2012
TAFE Directors Australia (TDA)	<ul style="list-style-type: none"> - Martin Riordan, Chief Executive Officer, TDA - Kaylene Harth, Board Member, TDA and Institute Director, Metropolitan South Institute of TAFE 	17 July 2012
TAFE Directors Queensland (TDQ)	<ul style="list-style-type: none"> - Jodi Schmidt, Chair, TDQ and A/Deputy Director-General, Training and Employment, Department of Education, Training and Employment (DETE) - Bob McAulay, Member, TDQ and Institute Director, Barrier Reef Institute of TAFE - Lynne Foley, Member, TDQ and Institute Director, Brisbane North Institute of TAFE - Gary Kinnon, Member, TDQ and Institute Director, Central Queensland Institute of TAFE - Aaron Devine, Member, TDQ and Chief Executive Officer, Gold Coast Institute of TAFE - Kaylene Harth, Member, TDQ and Institute Director, Metropolitan South Institute of TAFE - Greg Mitchell, Member, TDQ and Institute Director, Mount Isa Institute of TAFE - Mary Campbell, Member, TDQ and Institute Director, SkillsTech Australia - Trevor Schwenke, Member, TDQ and Institute Director, Southern Queensland Institute of TAFE - Ross Hepworth, Member, TDQ and Institute Director, Sunshine Coast Institute of TAFE - Paul Sutcliffe, Member, TDQ and Institute Director, The Bremer Institute of TAFE - Joann Pyne, Member, TDQ and Institute Director, Tropical North Queensland Institute of TAFE - Nigel Hill, Member, TDQ and Institute Director, Wide Bay Institute of TAFE - Janine Schubert, Member, TDQ and Director, Queensland VET Development Centre, DETE - Katherine Duncan, Secretariat, TDQ and Director, Training and Employment, DETE 	26 July 2012 18 September 2012

Stakeholder	Attendees	Date
Energy Skills Queensland (ESQ)	<ul style="list-style-type: none"> - Glenn Porter, Chief Executive, ESQ - Barry Crook, Workforce Development Manager, ESQ 	26 July 2012
Queensland Commission of Audit (QCoA)	<ul style="list-style-type: none"> - Mark Gray, Chief Executive Officer, QCoA - Gavin Leckenby, QCoA 	30 July 2012
TAFE Queensland Council of Chairs (TQCC)	<ul style="list-style-type: none"> - Warren Tapp, Chair, TQCC and Chair, Southbank Institute of Technology - Robin Grant, Member, TQCC and Chair, Barrier Reef Institute of TAFE - Darrell Butcher, Member, TQCC and Chair, Brisbane North Institute of TAFE - Laurie Willett, Member, TQCC and Chair, Central Queensland Institute of TAFE (via teleconference) - Trina Hockley, Member, TQCC and Chair, Gold Coast Institute of TAFE - Michael Gilmour, Member, TQCC and Chair, Metropolitan South Institute of TAFE - Les Bunn, Member, TQCC and Chair, Mount Isa Institute of TAFE - Elizabeth Nicholls, Member, TQCC and Chair, Southern Queensland Institute of TAFE - Ken Hicks, Member, TQCC and Chair, Sunshine Coast Institute of TAFE - Kerren Smith, Member, TQCC and Chair, Wide Bay Institute of TAFE - Dagmar Parsons, Member Proxy, TQCC and SkillsTech Australia (proxy for Peter Price, Chair) - Gary Edwards, Member Proxy, TQCC and The Bremer Institute of TAFE (proxy for Mayor Paul Pisasale, Chair) - Lyn Russell, Member Proxy, TQCC and Tropical North Institute of TAFE (proxy for Sharon Dawson, Chair, via videoconference) 	6 August 2012
Chairs of the two statutory TAFE institute boards	<ul style="list-style-type: none"> - Trina Hockley, Chair, Gold Coast Institute of TAFE - Warren Tapp, Chair, Southbank Institute of Technology 	6 August 2012
AgriFood Skills Australia (ASA)	<ul style="list-style-type: none"> - Arthur Blewitt, Chief Executive Officer, ASA - Robert Wilson, General Manager, Industry Strategy and Intelligence, ASA 	6 August 2012
Australian Skills Quality Authority (ASQA)	<ul style="list-style-type: none"> - Chris Robinson, Chief Commissioner, ASQA 	7 August 2012

Stakeholder	Attendees	Date
SkillsTech Australia (STA)	<ul style="list-style-type: none"> - Peter Price, Chair, STA - Mary Campbell, Institute Director, STA 	9 August 2012
Queensland Training Ombudsman (QTO)	<ul style="list-style-type: none"> - Peter Ruhanen, QTO 	23 August 2012
Victorian TAFE Reform Panel (VTRP)	<ul style="list-style-type: none"> - Ken Latta, Chair, VTRP - JoAnne Stephenson, Member, VTRP - Peter Ryan, Member, VTRP - Yvonne von Hartel, Member, VTRP - Kym Peake, Deputy Secretary, Department of Education and Early Childhood Development - Marianne Lourey, Head, TAFE Transition Taskforce - Michael Coppala, Member, TAFE Transition Taskforce - Deborah Simmons, Member, TAFE Transition Taskforce - Damian Templeton, Partner, KPMG - Greg Norton, Associate Director, KPMG - Paul Low, Director, KPMG - Ron Zubrik, Director, KPMG 	4 October 2012
Australian Council for Private Education and Training (ACPET)	<ul style="list-style-type: none"> - Matthew Traynor, Queensland Executive Officer, ACPET - Jenny Field, Chair, State Committee, ACPET Queensland and Member, National Board, ACPET and Academic Manager, Prime Learning - Sue Freeman, Member, State Committee, ACPET Queensland and Director, First Impressions Resources - Kathleen Newcombe, ACPET Member Queensland and Chief Executive Officer, Sarina Russo Education Group - Peter Roebig, ACPET Member Queensland and Managing Director, Construction Skills Training Centre - Kay Ganley, ACPET Member Queensland and Chief Executive Officer, Charlton Brown - Steve Ghost, ACPET Member Queensland and Managing Director, Motor Trades Association of Queensland 	8 October 2012
Workshop on apprenticeships and skilled trade outcomes representatives	<ul style="list-style-type: none"> - Alan Sparks, Program Director, National Apprenticeships Program - Steve Ghost, Steve Ghost and Associates and Managing Director, MTAQ - Darrell Cox, Manager, Employee Development, Thiess - Mary Campbell, Institute Director, SkillsTech Australia - Geoff Favell, Assistant Director-General, Skills, Training Investment and Employment, DETE - Peter Ruhanen, Queensland Training Ombudsman - Paul Miles, Chief Executive Officer, Busy at Work - Brett Schimming, Chief Executive Officer, Construction Skills Queensland - Wallis Westbrook, Executive Director, Health and 	15 October 2012

Stakeholder	Attendees	Date
	<p>Community Services Workforce Council</p> <ul style="list-style-type: none"> - Rod Camm, Chief Executive Officer, Skills Queensland - Malcolm Richards, Group Chief Executive Officer, Master Electricians Australia - Dick Kostowski, Senior Training and Development Adviser, Xstrata Copper - Colin Keily, Chair, Far North Queensland Industry Workforce Development and Human Resources Manager, MSF Sugar Mulgrave Mill - Penny Cleland, Member, Far North Queensland Apprenticeship and Traineeship Taskforce and Staff Development Manager, CaPTA Group - Mark Hands, Chief Executive Officer, Australian Industry Trade College - Rod Arthur, Chief Executive Officer, UQ College, The University of Queensland 	

APPENDIX 4

Submissions

A total of 91 submissions were received from peak bodies, TAFE stakeholders, other organisations and individuals responding to the Taskforce's ToR and Interim Report.

Peak bodies

Australian Mines and Metals Association
Chamber of Commerce and Industry Queensland
Construction Skills Queensland
Consult Australia
Group Training Association of Queensland and Northern Territory
Health and Community Services Workforce Council
Lifelong Learning Council Queensland
Queensland Council of Unions
Skills Queensland
TAFE Directors Australia

TAFE

Barrier Reef Institute of TAFE
Gold Coast Institute of TAFE
Metropolitan South Institute of TAFE
Metropolitan South Institute of TAFE Council
Queensland VET Development Centre
SkillsTech Australia Council
Southbank Institute of Technology
Sunshine Coast TAFE and Institute Council
TAFE Directors Queensland
TAFE Queensland Council of Chairs
Wide Bay Institute of TAFE

Other organisations

Aboriginal Centre for the Performing Arts
Adult Learner Widening Participation Network
Air Conditioning and Mechanical Contractors' Association of Queensland
Aurecon, Jones Lang LaSalle, GHD and Norm Jagger Consulting
Australian Indigenous Youth Academy
Australian Sustainable Built Environment Council
Australian Trade College North Brisbane
Automotive Skills Queensland
Baking Industry Association of Queensland and Norm Jagger Consulting
Bundaberg Fruit and Vegetable Growers
BUSY At Work
Caboolture Community Adult Literacy Group
Cassowary Coast Industry Taskforce
Civil Contractors Federation Queensland Branch
Construction and Property Services Industry Skills Council
Construction Skills Training Centre
Council of Mayors (South East Queensland)
Creative Industries Skills Council
Department of Aboriginal and Torres Strait Islander and Multicultural Affairs
Energy Skills Queensland
Great Barrier Reef International Marine College
Independent Schools Queensland
Innovation and Business Skills Australia

Other organisations (cont.)

Kinetic Group
Manufacturing Skills Queensland
Murra Innovations
Northern Skills Alliance
Outsource Services
Queensland Catholic Education Commission
Queensland Fitness, Sport and Recreation Skills Alliance
Queensland Resources Council Industry Reference Group
Queensland Rural Industry Training Council, AgForce and Queensland Farmers' Federation
Queensland Studies Authority
Queensland Teachers' Union
Queensland Tourism Industry Council
Queensland Trucking Association
Rail Skills Australasia
Redland City Council
Refrigeration and Air Conditioning Contractors Association Queensland
Resources Registered Training Organisation Association
SkillsDMC
Springfield Land Corporation
Sustainable Built Environment National Research Centre
TAFE Queensland Strategic Library and Information Consultative Committee
Tec-NQ
The University of Queensland Gatton Vocational Education Centre
Timber Queensland
Transport and Logistics Workforce Advisory Group - Queensland
Whitsunday Maritime Training Centre
Workforce North

Individuals

Bill Dokter
Brett Schimming
Christopher Borg
Denis King
Doug Alford
Judy Wyatt
Leigh Miles, Christine MacAulay, Stacey Grier, Donna Murphy, Nell Harris, Dianne Martin and Jenny Kent
Margaret Jensen
Melinda Leabeater
Paul Cate
Paul Marshall
Richard Curtis
Roger John
Sue Walsh
Suzy Roden
Toby Murdoch
Tracey Bailey
Walter Sommer
Warren Tapp
Yolanda Newman

Attachment 2 – Data, literature and research reviews considered by the Taskforce

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Attachment 3 – Workshop on Apprenticeships and Skilled Trade Outcomes

Date/Time:	Monday, 15 October 2012, 10.00 am – 2.00 pm
Location:	Queensland Resources Council Conference Room, 133 Mary Street, Brisbane
Facilitator:	Rachel Hunter
Attendees:	Alan Sparks, Program Director, National Apprenticeships Program Steve Ghost – Steve Ghost and Associates and Managing Director, MTAQ Darrell Cox, Manager, Employee Development, Thiess Mary Campbell, Institute Director, SkillsTech Australia Geoff Favell, Assistant Director-General, Skills and Training Investment, Department of Education, Training and Employment Peter Ruhanen, Queensland Training Ombudsman Paul Miles, Chief Executive Officer, Busy at Work Brett Schimming, Chief Executive Officer, Construction Skills Queensland Wallis Westbrook, Executive Director, Health and Community Services Workforce Council Rod Camm, Chief Executive Officer, Skills Queensland Malcolm Richards, Group Chief Executive Officer, Master Electricians Australia Dick Kostowski, Senior Training and Development Adviser, Xstrata Copper Colin Keily, Chair, Far North Queensland Industry Workforce Development and Human Resources Manager, MSF Sugar Mulgrave Mill Penny Cleland, Member, Far North Queensland Apprenticeship and Traineeship Taskforce and Staff Development Manager, CaPTA Group Mark Hands, Chief Executive Officer, Australian Industry Trade College Rod Arthur, Chief Executive Officer, UQ College Greg Lane, Deputy Chief Executive and Chief Operations Officer, Queensland Resources Council Judy Bertram, Director, Community Engagement, Queensland Resources Council Katrina-Lee Jones, Manager, Education Strategies and Services, Queensland Resources Council Peter Price, Chair, Energy Skills Queensland, Chair, SkillsTech Australia, Executive General Manager Programming, Procurement and Services, Energex
Taskforce Attendees:	Michael Roche, Taskforce Chair and Chief Executive, Queensland Resources Council Kristine Skippington, Taskforce Member Proxy, Director of Training, National Retail Association Matthew Traynor, Taskforce Member Proxy, Executive Officer Queensland, Australian Council of Private Education and Training Matthew Martyn-Jones, Taskforce Member, Director - Queensland Branch, Australian Industry Group Warwick Temby, Taskforce Member, Executive Director Queensland, Housing Industry Association

Drew Ellem, Taskforce Member Proxy, Assistant Under-Treasurer, Education Group,
Department of Treasury and Trade
Michelle Templin, Taskforce Member Proxy, Workforce Development Officer,
Growcom

Robert Petherbridge, Taskforce secretariat

Agenda Item 1: Welcome and purpose

The Taskforce Chair welcomed and thanked participants for attending the workshop outlining that the workshop is an important step to finalising the Taskforce's advice and recommendations on reform of Queensland's VET sector by 31 October 2012.

The Chair provided an overview of the Taskforce's Interim Report on the future strategic direction of TAFE Queensland noting that the Final Report would deal with models for a truly industry engaged VET sector and reform of the apprenticeship system.

The Chair introduced Rachel Hunter as the workshop facilitator noting Ms Hunter's experience as a former Director-General of the Queensland Department of Education, Training and the Arts, holding senior positions within the VET and TAFE sectors for a number of years as well as significant board appointments in recent times.

Ms Hunter introduced the purpose of the workshop as being to identify the fundamental issues (for industry) to be resolved in terms of apprenticeships, traineeships and trade and skills training and to provide recommendations and new thinking as input into the Taskforce's deliberations.

Ms Hunter provided participants with an overview of the Taskforce's Terms of Reference and identified the key Terms of Reference associated with addressing skills shortages, improving current training pathways, removing barriers and red tape to training pathways and matching training with demand for skills as the focus for the Workshop.

Agenda Item 2: Issues – Mapping the system

Workshop participants identified a range of issues for VET sector end-users including industry, employers and individuals. Discussion identified that some issues were specific to particular industry sectors and that some issues were cross-jurisdictional. The table below represents the key issues identified by participants.

It was noted during discussions that the current apprenticeship system serves a number of end users (employers, industry and individuals) well and that there is value in retaining fundamentals of the system for these users.

Issue	Explanation
Individuals' characteristics	Quality of new applicants is declining at the same time as the requirements of industry / employers are increasing. Many new entrants / school leavers do not have the foundation / employability skills required nor do they have a clear understanding of what the market is offering.
Regional differences	Responses to meeting skills requirements in regions differs and is dependent on the local economy. In regional Queensland, employers are more typically looking for the full range of skills whereas in SEQ many employers just want certain competencies.
High cancellation rates	Creates churn in the system and impacts on experiences of employers and apprentices.
Industrial relations framework	The industrial relations framework restricts flexibility and innovation in terms of competency based wage progression. Need multiple pathways from beginning to end point.
Employers' understanding of system and requirements	New employers (to the system) require significant information and education about what they are entering into and what is available. In part this issue arises due to the complexity of the system (employment contract, training contract, dealing with State and Commonwealth agencies) and in part due to the need for more information in some areas / industries.
Counter-cyclical	The apprenticeship system is out of sync with the economic cycle, particularly in terms of lead times for training and the requirement for indenture to access government subsidised training. Noted that the data shows traineeships don't contract in down turns in the same way apprenticeships do – therefore are less susceptible to economic cycle.
Barriers for mature aged entrants	There are a number of mature age entrants / adults wanting to train in trade areas but the system is geared towards school leavers and entrants to the workforce. Barriers include the traditional framework (indenture and time based) as well as curriculum and pedagogy that is directed towards school leavers (i.e., doesn't easily allow for mature learners with existing skills).
Apprenticeship / traineeship system beyond traditional trades	The policy context for the apprenticeship system is reflective of the traditional trades – which it works well for in most instances – however new models and approaches are needed to service growing, non-traditional and emerging industries.
Workforce training models variable between employers and sectors	Workers and employers in industries and businesses with seasonal work find it difficult to access the system. If flexibility exists in the system to meet these needs such as shared work models, then significantly more information is require for employers about these options.

Attracting new entrants and managing expectations	Many of the traditional entrants (i.e., school leavers) see a four year commitment as too long. This contributes to high cancellation rates and low quality of applicants. Many new entrants are from diverse backgrounds (i.e., not blue collar) and therefore have diverse expectations. Providing clear information and support for new entrants and employers to manage expectations is seen as an important and ongoing role.
Quality of applicants	The overall quality of applicants is lacking which due to poor student literacy, numeracy and foundational skills. A disconnect exists between industry expectations and requirements from schools and level of skills and knowledge delivered. Cynicism exists over the number and quality of applicant VET qualifications which have been delivered by schools without resultant, real employment outcomes. Workforce development is seen as important in lifting the positive experiences of participants in the State's education and training systems. Strength exists in SATs as a partnership model.
Roadblocks to innovative training	There are a number of roadblocks to innovation including funding arrangements that limit flexibility by way of not encouraging / precluding out of hours training (e.g., night school, weekend training) and requiring a base level of participants.
Changing nature of work, businesses and employers	The nature of business has changed and differs significantly between regions. This means that employers require different or more specialised skills from their workforce. For example tradespeople in rural and remote areas are likely to require a broader base of skills covering all aspects of their trade compared to trades people in metropolitan areas that may only require specific elements of trade skills –or subsets of a full apprenticeship. Example of the Automotive industry was used to demonstrate specialisation in suspension and exhaust. Conversely, there are also implications for apprentices where businesses don't have the range, breadth and depth of work for apprentices to learn and demonstrate competency in all areas of the trade / qualification. In addition shared work models and casualization of the workforce are increasing alongside social mobility resulting in less workers being eligible to participate in training through traditional apprenticeship training models.
Access to training services	Remoteness and distance to (off the job) training can increase employer and apprentice training costs and mean more time away from work and on the job training. There are also implications for apprentices being away from their families / support networks for long periods in some instances.
Funding and targets driving delivery	Behaviour of the market (i.e., RTOs) is driven by funding and delivery targets rather than being focused exclusively on the industry needs. This is particularly important for the employers and industries requiring skill sets versus full qualifications. Incentives offered could work better but Government needs 'bigger bang for its buck' particularly during the economic cycles.
Training packages	Qualification structures in Training Packages do not always meet the skill needs of employers given (as identified above) the highly variable requirements between regions, industries, worksites and businesses.

Agenda Item 3: Overview and previous reforms and discussions

Geoff Favell provided an overview of the current apprenticeship and traineeship system in Queensland, national reform directions and proposals for systemic reform being considered by the Department of Education, Training and Employment (DETE). The key points were:

- The system is not broken.
- The apprenticeship system currently has over 100,000 participants in training. Approximately 44 per cent of participants are apprentices and the remaining 56 per cent are trainees.
- Queensland data, which, through a Unique Student Identifier accounts for transfers between employers and other factors, suggests that the State's apprenticeship completion rate is approximately 67 per cent.
- It is considered that the apprenticeship system is making progress towards a truly competency based system in Queensland demonstrated by the 33 per cent of apprentices that complete their qualification more than six months before their scheduled completion date.
- Sixty per cent of apprenticeship commencements are of people under the age of 19 years of age, showing that the system is predominantly servicing the cohort it was designed for. However numbers in the 15-17 age bracket are declining.
- Reform – 3 areas of focus – legislation, administration and modernisation.
- State and national drivers for reform of the apprenticeship and traineeship systems include the Queensland Government's commitment to an additional 10,000 apprenticeship commencements over six years, reducing red tape as well as national harmonisation of the system and award modernisation.
- Proposed legislative changes being pursued by DETE include reducing the timeframe to sign and lodge the training contract to promote increased engagement of employers and apprentices in training activities, allow for the transfer of apprentices between employers and suspension of a training contract and streamlining cancellations in recognition of Fair Work Australia processes and responsibilities.
- DETE is also negotiating with the Commonwealth for transition of Australian Apprenticeship Support Services from 1 July 2014. This presents an opportunity to remove duplication of services and establish a one-stop-shop in Queensland for all apprenticeship services.
- Flexibility exists in the current apprenticeship system as demonstrated by the Aviation and Xstrata models, the New Apprenticeship Program and previous seasonal apprenticeship models. It was noted that while flexibility within the system exists, ensuring that this flexibility is understood and can be utilised should be a priority for the future.
- Models to complement the system are also required with examples of the hairdressing institutional pathway and the proposed Registered Trade Skills Pathway provided as examples.

Key Discussion Points:

- A significant barrier to participating in apprenticeships is casualisation of the workforce and previous approaches / rulings in Queensland that casual employees are not eligible for indenture as an apprentice. Is the Registered Trade Skill pathway a solution?

- A related issue is the requirements for the apprentice supervisor to be a staff member rather than a contractor. Particular resource sector examples of this difficulty were provided.
- With the Commonwealth Agreement and State targets driving the system towards qualification completions, consideration about the role and appropriate application and measurement / report of skills sets is required.
- The focus of future trade / skill pathways should be on the needs of industry, employers and the economy, not the parameters of the existing / traditional apprenticeship system.
- Concern about employers and industry needing to meet the needs of the training system rather than the training system aiming to meet the needs of employers.
- A future trade / skills system should be constructed based on a continuum of training with multiple entry and exist points that meet the needs of multiple system users including employers and individuals. For example the motor industry has broken down its skills sets into a series of traineeships and qualifications.
- Pre-vocational training can assist in acquiring knowledge skills particularly around maths and physics (e.g., Energex).
- Employment outcomes are possible with just skill sets (e.g., bricklaying). Training should not have to be linked to an employment contract.

Agenda Item 4: Leading national and international models

Rod Camm provided an overview of national and international models of trade / skill training and pathways. The key points were:

- Considerations for reform of the apprenticeship system in Queensland and Australia have only really occurred over the last 25 years despite the systems being established in 1788.
- A key driver for the need to modernise the system is the rapidly changing needs of the labour market
- In Queensland, significant growth is occurring via large projects in the resources and construction.
- Looking internationally, the German apprenticeship model has a number of strengths in terms of employer satisfaction, throughput and completion rates. A key difference is that the system is embedded within the broader education and training system where 'streaming' occurs from early secondary school. In this regard, it would be difficult to replicate the success of the German system in Queensland.
- A review has identified minimal literature on, or evaluation of, full institutionalised pathways within the VET or skills and training sector, however, the long term trends indicate that the system in Queensland is shifting towards institutionalised models of training.
- New models advocated include college / institutionalised approaches with multiple entry and exit points – such as proposals put forward by Skills Tech and the Electrical Contractors Association.

Key Discussion Points:

- Arrangements in the United States' apprenticeship system allow for multiple exit points (summarised as 1st year, 2nd year and 3rd year) as a strategy to provide semi-skilled training.
- In terms of skills mobility and comparable training outcomes, there is a tendency for

employers to re-test or establish a new employees skills base regardless of prior qualifications (may be restricted to specific industries) This is an issue for confidence in the broader training system and the outcomes the system is producing.

- Workforce development is a key driver of skill needs as industry (more broadly) looks to increase the qualifications profile of its workforce in line with changing technical requirements.
- Competency and skills need to be reflective of the needs and requirements of industry – industry then need to be heavily involved in defining the skill requirements needed for the workforce.
- A college-based/institutional model may be the way to go – with multiple entry and exit points.

Agenda Item 5: Apprentice perspectives – what works and what doesn't

Katrina-Lee Jones introduced the item reporting that a short video presentation on the attitudes and opinions of apprentices had been prepared for the group to give an insight about what works and what doesn't work for young people in terms of apprentices. Key points from the presentations were:

- Mixture of views about preferred models of working.
- Clear preference for high quality providers and understanding / supportive employers.
- Appreciation of high quality facilities.
- Mixed preferences for delivery styles, although a clear preference for face to face and hands on delivery.
- Strong personal commitment to training / apprenticeship required to succeed.
- Strong social support network including family, friends and community needed.
- Initial placement and experience is critical ultimate success.
- Reliable, convenient and affordable transport are key considerations.
- Availability of multiple career paths is seen as preferable.

Group Work Session 1:

Three groups were formed and tasked with developing recommendations and advice in the following three areas:

How can 'red tape' and administrative burden be streamlined to boost commencements and completions of apprenticeships and traineeships?

- Streamlining administrative systems via a single online system, based on a Unique Student Identifier, which all relevant agencies have real-time access to that is used for all apprenticeship / traineeship commencements, completions and contract purposes.
- A national training system with seamless, cross-border funding and regulatory arrangements.
- Clarity (and consistency) between the training and employment contracts for apprentices and trainees
- Establish a system with various entry and exit points for trade / skilling pathways – based on a fundamental pre-vocational qualification.
- Flexible training delivery, including alternative approaches to TAFE block release, on-line and out of hours training delivery.

How can alternative training and employment pathways be developed to deliver on the growth targets for the trade skilled workforce?

- Free up funding of the system to support alternative pathways – given that funding is predominantly based on apprenticeship and traineeship pathways (in terms of trade / skilling pathways).
- Remove industrial relations barriers.
- Establish multiple entry and exit points for trade / skilling pathways.
- Provide flexibility for contractors to supervise apprentices – and consider the eligibility of casual employees for participation in apprenticeships and traineeships.
- Permit transportability of on-the-job training.
- Encourage online and on demand (24/7) approaches to learning.
- Investigate reform of the funding and purchasing model and how it can be used to increase flexibility in the system.
- Address poor perception of trades.

What is industry's role in leading reforms in the apprenticeship and traineeship arena? How can industries influence the apprenticeship / traineeship training and employment models which best suit their needs?

- Industry need to clearly define the outcomes required from the apprenticeship and traineeships system.
- Engagement of small to medium enterprises is critical – either directly or via industry associations.
- Industry to clearly define certain skills sets and qualifications to be funded and included in training packages (through a flexible funding system).
- Peak industry bodies to establish strategies to encourage training in smaller organisations (build a training culture in their industry).

Group Work Session 2: Broad matters and recommendations for Taskforce

Three groups were asked to provide recommendations to influence the changes necessary to achieve the ongoing growth required by Queensland industries for a high quality skilled-trade workforce. Key recommendations provided were:

- Separate assessment and delivery to increase the quality of outcomes (i.e., external, comparable assessment and/or improved moderation of awarded trade skill outcomes).
- Increase choice in industry led training models to account for mature ages / adult learners; on-line learning pre-vocational, courses, institutional models.
- Streamline bureaucratic administration and paperwork requirements of the apprenticeship and traineeship system.
- Reform industrial relation arrangements in the public provider to improve TAFE's capacity to meet employer's needs.
- Increase access to trade skill pathways for the broader population and workforce so that pathways are not limited to school leavers / workforce entrants (e.g., adults and casual workers).
- Increase flexibility of the funding model so that the system can be responsive to innovative approaches to trade skills pathways and better alignment to potential industry co-investment
- Break the link between economic downturns and training commencements (e.g.,

institutional model to address industry cycles).

- Break the nexus between employment-type and training access (e.g., for casual employees).
- Remove barriers to training contracts / streamline training and employment contracts.
- Enhance regional access to training and trade skill pathways and associated information.
- Adopt a system of Registered Trade Skills Pathways to facilitate alternative models in line with differentiated funding of qualifications, and recognition of skill sets as a qualification outcome.
- Review the full VET funding envelope in Queensland.
- Progress with recommendations of Interim Report at the same time as introducing competition to VET delivery.
- Devise mechanisms for addressing new industries (e.g., group schemes, partnership models incorporating new technology with industry closely involved in the design of new flexible training models).
- Continue development of school pathways leading to employment outcomes and investigate charter schools.
- Designate an agency as the lead on driving the flow of information to employers and potential apprentices and trainees.

Summary and close

Ms Hunter thanked participants for sharing their thoughts and ideas in the Workshop sessions, summarising the consistent themes as being:

- The needs for more flexibility in models for trade skill pathways.
- Industrial relations barriers institutional pathways.
- Funding – how should funding be used to achieve the outcomes needed.

The Chair thanked the facilitator and participants for the significant input provided. The Chair reported that the final Taskforce meeting was scheduled for Friday 19 October 2012 and that the outcomes from the workshop would be a key and important input into the Taskforce's final meeting and recommendations of the Final Report.