



**MINERALS COUNCIL OF AUSTRALIA
VICTORIAN DIVISION**

SUBMISSION

**In Response to the Victorian Government's
Discussion Paper on Skills Reform:**

Securing our Future Economic Prosperity

June 2008

EXECUTIVE SUMMARY

The Minerals Council of Australia (MCA) Victorian Division recognizes the need for the proposed reform of the state's training system and welcomes the opportunity to provide a response to the Victorian Government's '*Securing our Future Economic Prosperity*' Discussion Paper dated April 2008.

The Australian minerals industry is in a prolonged 'super-cycle' of demand, which is projected to continue for many years into the future, in fact the demand is more structural than cyclical. The Victorian minerals industry is experiencing growth along with the rest of Australia, albeit from a low base, and is experiencing a tight labour market, particularly for skilled operators and trades people. Competition for labour is expected to grow with the ageing workforce and the demands of significant infrastructure projects that are proposed.

Minerals industry labour force projections indicate a need for significant additional numbers of skilled operators and traditional trades people, which is at odds with Victorian labour force projections obtained by the Government, which project an oversupply of skilled workers and qualified trades people.

The minerals sector has characteristics that differentiate it from many industries in that it is principally regionally based where there are few training providers; and it requires both traditional trades people and operators with mining specific skills.

The minerals industry makes a significant investment in training its employees. However, the minerals industry has substantially moved away from the government funded TAFE training sector. This is due to the TAFE sector's inability to meet the needs of the minerals industry. Consequently, the minerals industry conducts the bulk of its vocational education and training (VET) delivery through private Registered Training Organisation's (RTOs) on the job. However, the industry is keen to re-engage with a reformed, invigorated, demand driven TAFE sector.

The MCA identifies a number of underpinning structural arrangements that it considers necessary to achieve a high-quality, demand driven VET sector. These include:

- A more responsive and flexible system able to deliver when and where required by industry
- Greater consistency in the quality of program delivery and assessment to promote industry confidence in VET qualifications other than the traditional trades.
- Ease of access through defined entry points and by using a less complex VET language that enables a clear dialogue with industry.
- High quality, vocationally competent teaching staff who deliver training at industry standard.
- Adequate resourcing to enable all of the above.

The MCA response to the specific questions raised in the Discussion Paper include an emphasis on:

- training investment based on credible industry requirements and demonstrated skills needs to contribute to the wider Victorian economy;
- improving the quality and consistency of training delivery and assessment to promote industry confidence in the VET product;
- establishing the structural arrangements that will promote the flexibility and responsiveness of training providers, particularly in the government funded sector;
- removing administrative barriers and simplifying the VET sector and the 'language of VET';
- recognising highly performing VET providers.

The MCA does not support the introduction of a voucher or 'training entitlement' system managed by individuals in light of past experience of such systems which have been seen to encourage unscrupulous providers to 'cherry pick' low cost courses and take advantage of unsuspecting individuals.

There is a unique opportunity to harness state and commonwealth government training reform initiatives to achieve a high quality, flexible, responsive, demand driven training sector in Victoria. Centres of excellence, such as the virtual 'Minerals Industry Academies' proposed by the MCA, is one approach to integrating the reform initiatives.

The MCA would welcome the opportunity to work with Government on initiatives to create a more demand driven, responsive VET sector that will meet the needs of the Victorian economy into the future.

INTRODUCTION

The Minerals Council of Australia (MCA) Victorian Division recognizes the need for the proposed reform of the state's training system and welcomes the opportunity to provide a response to the Victorian Government's 'Securing our Future Economic Prosperity' Discussion Paper dated April 2008.

The MCA represents Australia's exploration, mining and minerals processing industry, nationally and internationally, in its contribution to sustainable development and society. MCA member companies produce more than 85 per cent of Australia's annual mineral output. The Victorian Division is a fully integrated Division of the MCA and represents the interests of member companies operating in Victoria.

The Australian minerals industry is in a prolonged 'super-cycle' of demand, structural not cyclical that is projected to continue for many years into the future. The industry continues to experience strong employment growth. The Victorian minerals industry is experiencing growth along with the rest of Australia, albeit from a low base.

A significant capacity constraint to growth for the industry is access to skilled workers, and minerals industry employers continue to experience difficulty in recruiting sufficient numbers of appropriately skilled workers in both mining specific and traditional trades such as mechanical fitters, electricians, and diesel mechanics.

The minerals industry continues to make a substantial investment in Vocational Education and Training (VET), with figures indicating that, on average, the industry spends three times the national average per employee on training. However, over time, the minerals industry has moved away from the government funded TAFE sector due to the inability of the TAFE sector to meet the industry's needs.

The MCA congratulates the Victorian Government on taking the initiative to reform the training sector to meet industry's needs for high quality, flexible training delivery that is responsive to its business.

The MCA does not underestimate the extent and complexity of the task of reforming the training system to meet the needs of industry in the modern economy. We would welcome the opportunity to work with the Government to achieve this goal.

THE MINERALS INDUSTRY WORKFORCE

The minerals industry is a global industry with a highly mobile workforce. The minerals industry directly employs about 128,000 people at operating mine sites, representing less than 1.5% of the Australian workforce. However, it is the fastest growing workforce in the Australian economy. Australian Government figures¹ indicate that employment in the minerals industry grew by 66% (56,000 jobs) in the five years to August 2007. In addition, job vacancies in the minerals sector grew five fold to more than 5,000 per quarter in the five years to 2007.

Recent projections are that the industry's workforce will grow by 70% between 2008 and 2020². These projections also indicate that the strongest demand will be for tradesmen and skilled operators, each of which represents approximately 30% of the increased demand. These labour demand projections are based on Access Economics³ projections of mining industry production to 2020. It is noteworthy that these projections are inconsistent with the overall workforce projections for Victoria prepared by the Centre for the Economics of Education and Training, which suggest an oversupply of people with Certificate III and trades qualifications.

¹ Australian Government. SkillsInfo October 2007: *Employment Outlook for Mining*.

² Richardson, S. National Institute of Labour Studies, Flinders University. Presentation at Minerals Week, Canberra, May 2008.

³ Richardson, C. Access Economics. Presentation at Minerals Week, Canberra, May 2008

Whilst the Victorian minerals industry employs less than 10,000 people directly, the industry has an ageing workforce and there are a number of significant new projects in the pipeline, for example the recently announced AEC fertilizer plant in the Latrobe Valley. This will put pressure on the demand for skilled workers in the minerals industry and the wider Victorian economy. In addition to the resident workforce there are many Victorians who work in the minerals industry interstate, but choose to live in Victoria.

The *Provincial Victoria Minerals Industry Skills Study* (2007) found that the market for skilled people in the Victorian minerals sector is tight, particularly for electricians, drillers and diesel fitters.

THE MINERALS INDUSTRY'S ENGAGEMENT WITH THE VET SECTOR

Whilst the minerals industry invests heavily in the training of its workforce, the vast majority of the minerals industry's VET activity is outside the TAFE sector; a national trend that is reflected in Victoria. Over time the minerals industry has moved away from the TAFE sector due to the inability of that sector to meet the minerals industry's needs for flexible and responsive delivery models such as on the job training at a time and place chosen by the enterprise, or skills sets tailored to the needs of the enterprise.

There is a large number of VET Registered Training Organisations (RTO's) in Victoria and nationally, with widely varying quality of training and assessment outcomes. Aside from the traditional trades, this lack of quality and consistency has resulted in a loss of confidence in VET qualifications within the minerals industry.

THE MCA'S REFORM GOALS

The MCA shares the Victorian Government's goals of improving the quality of VET and having a highly qualified, well-trained workforce and sees a strong, vibrant, nationally consistent VET sector as a key to addressing the shortage of skilled workers. However, there are specific characteristics of the minerals industry that impact on its engagement with the VET sector in ways that can differ from the manufacturing and service industries. That is, the minerals industry in Victoria:

- operates principally in regional areas where there are few training providers and little competition
- requires both traditional trades people and others with specific mining qualifications and skills sets
- has moved away from the publicly funded (TAFE) system and conducts a considerable amount of training on the job using in-house or private training providers.

The MCA considers that rebuilding the VET sector in Victoria to meet the needs of the minerals industry will require:

- Acceleration of the current reform agenda.
- Transformation of the VET sector into a truly competency based, market responsive, flexible delivery, quality-training sector that can cater for the divergent demands of the Victorian economy
- Recognition of the particular needs of remote and regional Victoria
- A paradigm shift in the responsiveness of the TAFE sector if the minerals industry is to re-engage with that sector to any great extent.
- Improvements in the literacy, numeracy and job readiness of school leavers as these are fundamental to people entering our industry.
- Initiatives that encourage companies to find innovative ways of fast tracking apprenticeship training.

A Demand Driven Training System

A high quality, demand driven training system must be underpinned by appropriate structural arrangements:

1. A more responsive and flexible system. Whilst a move to greater competition between VET providers may drive improvements in the metropolitan system, it is critical that market intervention to increase competition does not result in a decrease in quality at the expense of flexibility and responsiveness, particularly in the remote and rural areas.

The minerals industry requires its training to be delivered on the job at the enterprise level. This calls for a flexible, nimble training provider and, whilst the minerals industry has moved away from the government training sector in recent years, the MCA is keen to re-engage with the TAFE sector where it can meet those requirements; and to access public funds for genuine training that improves productivity and national wealth.

2. Greater consistency in the quality of program delivery and assessment. As highlighted above, the inconsistencies in delivery of many VET qualifications has led to lack of confidence in the training outcomes, to the extent that a majority of minerals industry employers are delivering training in-house using internally developed training and assessment materials. Many are not registered training organizations and do not issue statements of attainment for nationally recognized training.

The use of high quality, consistent training and assessment materials across the VET sector would develop skills sets and qualifications that are recognized and valued by industry.

3. Ease of access. The Discussion Paper acknowledges that the VET sector is highly complex and employs a language that is not clear to the uninitiated. Clearly defined points of access and simplified VET language would enhance the dialogue between industry and the sector leading to improved communication and outcomes more closely aligned to the aspirations of both parties.
4. High quality, vocationally competent teaching staff. Teaching staff who have current vocational competence and industry experience are in a position to better understand the needs of industry and provide 'industry standard' training.
5. Adequate resources (financial and human) to allow all of the above to occur.

The VET system of the future must be one that employs effective and efficient means to deliver the skills outcomes required by employers, individuals and the Australian economy, hence the discussion around this initiative must look to a new model rather than patching up the current system. The Federal Government's *Skilling Australia for the Future*⁴ initiatives, including Productivity Training Places, together with the current negotiations of Commonwealth-State funding agreements provide an opportunity to make this step change.

Higher Level Skills

We note that the Victorian Government has a deliberate goal to increase the number of Victorians with Diploma and Advanced Diploma qualifications and, by implication, will decrease effort to train Certificate III and trades qualified people. This is not consistent with the needs of the minerals sector identified above, and we would encourage a continued emphasis on the trades into the future.

DISCUSSION QUESTIONS:

MCA response to the specific questions posed in the Discussion Paper follow:

⁴ Australian Government. *Skilling Australia for the Future: Discussion Paper 2008*.

Question 1: If government supported training for all eligible Victorians were introduced, what should the eligibility criteria look like?

Eligibility criteria for government-supported training should include:

- Demonstrated contribution to the economic wellbeing and growth of the state
- Meeting an enterprise or industry identified need.
- Addressing priority skills needs areas
- Recognition of the differing needs and attributes of regional Victoria and inherent cost differentials.
- For existing workers – upskilling into higher level qualifications or gaining recognition of current competencies
- For jobseekers – entry level courses in areas of skills need supported by relevant job readiness skills training.

The MCA would NOT support any form of individual voucher system or individual 'entitlement' for training. In the past such systems have been shown to encourage 'cherry picking' and poor quality trainers to enter the market and take advantage of vulnerable job seekers.

Question 2: How could this proposal be marketed to encourage higher take up, particularly among Victorians who have never considered VET studies?

Higher take up of VET studies could be marketed by providing:

- Demonstrable quality of skills sets and qualifications that have industry support.
- Demonstrable consistency in training outcomes that will engender industry confidence in the sector.
- Examples of employment outcomes.
- Demonstrable simplicity of language and administrative arrangements.

Question 3: What proportion of course costs do you think is reasonable for an individual or business to contribute?

Contribution to the cost of training will promote 'by-in' and commitment on the part of the purchasers of training (individuals and industry), however the level of contribution will vary.

For Existing workers undertaking job related training it is reasonable to seek an industry contribution to the training cost, e.g. 10%. However, it must also be recognised that industry makes a significant 'in kind' contribution in the form of lost productivity through release from work, on the job training and assessment, etc. It should also be recognised that companies may only require specific skill sets rather than full qualifications and the fee structure should take account of this.

For Job seekers the cost should be minimal. However, there is a cost for the on the job training component, and employer support will also be required for this aspect of job seeker training if it is to be meaningful training.

Question 4: Is it reasonable to introduce higher fees for students for training courses that deliver higher individual benefits with improved employment opportunities?

Higher fees should only be considered for high level programs with demonstrated employment outcomes. Employment outcomes will be contingent on industry recognition of the quality and value of the training.

Question 5: Should the Government consider an income contingent loan scheme as currently applies to university education?

An income contingent loan scheme would provide the opportunity for all Victorians to participate in training, regardless of their economic situation. This is particularly important if higher fees are to be introduced.

Question 6: How can the system be structured to produce a better match between the future needs of the Victorian economy and the training choices made by individuals and businesses?

Identification of demonstrable training needs at enterprise level will contribute to a better match between the needs of the economy and the training choices of individuals and industry. This can be achieved through collection of industry level workforce planning data. To ensure the confidentiality of the data and provide confidence to enterprises that their competitive advantage will not be compromised, this data collection should be through a neutral third party such as an Industry Skills Council at national level or Industry Training Advisory Board at State level.

In addition, the system must be structured to address the differing needs of regional and metropolitan areas. Establishment of centres of excellence for particular industries or fields of study, with industry involvement in governance arrangements, will also promote alignment between the needs of the economy, businesses and, ultimately, individuals.

It is imperative that the Victorian VET sector is structured to align with a national system and the national skills agenda.

Question 7: How can Government best support TAFE and ACFE providers to thrive in a more competitive environment?

The Government can support TAFE and ACFE providers by:

- Ensuring that TAFE providers are adequately funded, particularly for high cost courses where they are the only provider.
- Encouraging the development of high quality training and assessment materials and their use by all training providers.
- Ensuring the employment arrangements in TAFE and ACFE providers allow flexibility and responsiveness to industry demand.
- Continuing to invest in the development of high quality teaching staff.

It is important to ensure that competition in the VET sector is not at the expense of quality of program provision resulting in a 'race to the bottom', which is a likely outcome of an individual voucher system.

Question 8: How can Government make its support for students undertaking training available in a way that encourages training providers to be more innovative, flexible and responsive to the needs of individuals and businesses?

Government can encourage training providers to be more innovative, flexible and responsive by

- Rewarding providers who perform well against these criteria.
- Publicly recognising and promoting providers who perform well against industry developed criteria

Question 9: In what ways can Government help individuals and businesses better understand and access the benefits of vocational education and training?

Better understanding of the VET system can be achieved by:

- Simplifying the language of VET.
- Minimising the points of entry to the sector.
- Reinstating and reinforcing the value of the qualifications.
- Simplifying the administrative arrangements imposed on both providers and enterprises.

OPPORTUNITIES

Currently, there are a number of opportunities that could be harnessed and integrated to assist with reform of the Victorian VET sector. These include:

- The Commonwealth Government's 630,000 Productivity Training Places, which provide additional funding in areas of demonstrated skill shortage.
- The Trade Training Centres for secondary schools provide an opportunity to develop high quality training facilities for VET in Schools and VCAL provision.
- Commonwealth and State Governments with an appetite for reform of the system.
- A prosperous economy, particularly for the minerals sector.
- Re-vitalised Industry Skills Councils, including SkillsDMC, which serves the mining and resources sector, with additional funding and a broader mandate to identify areas of current and future skills needs.

Minerals Industry Academies

To harness all of these opportunities and develop a consistent, high quality training model for the minerals industry, the MCA proposes a national network of centres of excellence or virtual 'Mining Industry Academies' in the areas in which the industry principally operates. It is envisaged that these Academies will harness current and new training initiatives, to deliver high quality and nationally consistent training to qualify people for specialist minerals industry occupations.

There may be value in the development of such an Academy in Victoria to service the minerals industry and network with others around the nation.

CONCLUSION

Currently there is a unique opportunity to reform the Victorian VET sector to meet industry's needs for high quality, flexible training delivery that is responsive to its business imperatives.

The minerals industry is an important contributor to regional Victoria, but the industry continues to experience capacity constraints due to the lack of an appropriately skilled workforce. The Victorian Government's reform initiative provides an opportunity to enhance the quality and consistency of VET delivery and qualifications and, subsequently, re-engage an industry that has substantially moved outside the government training sector. However, there are some specific issues that must be addressed to ensure the success of this initiative if it is to succeed in achieving its goals. These are:

- enhancing the flexibility and responsiveness of the VET sector to meet the minerals industry's needs;
- a model that addresses the specific needs of regional Victoria;
- evidence based identification of priority skills areas and direction of training effort toward wealth-creating industries; and
- programs to ensure that potential participants, particularly Jobseekers, are in a position to take up the training opportunities offered.

The MCA proposes specific arrangement that it believes will enhance the implementation of the initiative in the form of Minerals Industry Academies.

The MCA would welcome the opportunity to work with Government on initiatives to create a more demand driven, responsive VET sector that will meet the needs of the Victorian economy into the future.