

24th January 2019

The Hon Stephen Joyce
Department of the Prime Minister and Cabinet
PO Box 6500
Canberra ACT 2600

To the Hon Stephen Joyce,

Re: Vocational Education and Training Review

Tourism Accommodation Australia (TAA), a division of the AHA, welcomes the opportunity to make a submission to the *Vocational Education and Training Review* being conducted by the Federal Government.

TAA represents the needs and interests of the major hotels, motels, and serviced apartments in Australia's accommodation sector. In 2016–17, GDP from tourism increased 6.1% (or \$3.2 billion), to reach a record of \$55.3 billion in nominal terms. The accommodation sector is a dominant player in the tourism industry and in terms of GVA \$8 billion was directly contributed and more than 88,800 people are directly employed and 101,900 indirectly employed in the sector.¹ This figure will continue to increase with the industry going through a rapid period of growth.

The Federal Government projections show that Accommodation and Food Services employment is projected to increase by 81,400 (9.1%) over the five years to May 2023.² This is supported by the growth in both restaurants and hotels and strength in both domestic and international tourism as a result of the low Australian dollar and an expanding middle class in Asia.

Importance of the Vocational Education and Training (VET) Sector

The VET sector is intended to deliver a skilled and knowledgeable workforce to contribute to Australia's future. It offers promising pathways to fruitful careers, but it suffers from poor perception amongst students and parents, a lack of understanding of career pathways and inadequate funding. There is a central role for Federal government to play in promoting the importance of careers based on skills obtained through VET.

The speed of change in the modern workforce is rapid, and new skills will be needed in the coming years. The Australian VET sector needs to be flexible and able to respond to these changes.

¹ Australian Bureau of Statistics, 2017, *Tourism Satellite Account 2016-17* and AEC Group, 2017, *Economic Contribution of the Tourism Accommodation Sector in Australia*

² Department of Jobs and Small Business, *2018 Industry Employment Projections – five years to May 2023*, <http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections>.

The pipeline of Australian workers with the requisite training and skills is not adequate to meet the needs of our sector. The sector has skills shortages for both cooks and chefs, as well as a number of management and other positions.³ The following combine to create substantial labour market gaps:

- Limited applicants with sufficient skills, education and experience;⁴
- Competition from other sectors;⁵
- Substantial growth in supply;
- Seasonality of demand in regional areas; and
- A lack of interest in careers in hospitality and tourism.⁶

The accommodation sector prioritises employing Australian workers, but there is a disconnect between the requirements of the industry and the skills and workers currently available. The skills shortage will not improve unless a holistic approach to addressing the current challenges to the VET sector is taken in alignment with industry.

In the points below we assess measures already taken by Government, outline aspects of the VET sector that are working well, consider the challenges, and suggest changes that we believe would improve the current situation.

Measures taken by the Government to improve VET

Unscrupulous VET providers have done considerable damage to the reputation of the sector, and governments have been in repair mode, tightening regulation and seeking more sustainable funding arrangements for VET.

Government has recognised the need to improve student and industry perceptions and engagement with the VET sector, and to that end a number of initiatives have been undertaken. Some measures TAA notes have had a positive effect including:

- Introduction of the *National Vocational Education and Training Regulator Amendment Bill 2015*.
- Introduction of the *National Training Complaints Hotline*.

Others have had mixed results from the perspective of our sector:

- Establishment of the Skilling Australians Fund (SAF) – intended to create 300,000 more apprenticeships and will have an estimated amount of funding of \$1.5 billion (2017/18 – 2021/22). The SAF Levy is paid by employers who sponsor migrants under the new Temporary Skills Shortage visa. This levy goes towards VET.

However, we are concerned at the quantum of the SAF levy and recommend that the levy be reduced considerably.

- Establishment of the Australian Industry and Skills Committee (AISC) – provides industry with a formal, expanded role in policy direction and decision-making for the vocational education and training sector. The AISC is made up of industry leaders from across the country and is charged

³ Tourism Accommodation Australia NSW, *Hotel Labour Benchmarking Study*, 2019, p 29.

⁴ Ibid, p. 27.

⁵ Ibid.

⁶ Colmar Brunton, Australian Trade Commission. *Tourism and Hospitality Careers*, 8 March 2016.

with providing advice to Ministers about the implementation of national training policies and quality assuring and approving training packages for implementation.

TAA would like to see this emphasis on industry-led VET continue, with an assurance that there is adequate representation from across the states and more transparency around recommendations and outcomes.

- Introduced the *VET Information Strategy*, with the tagline *Real Skills for Real Careers*.

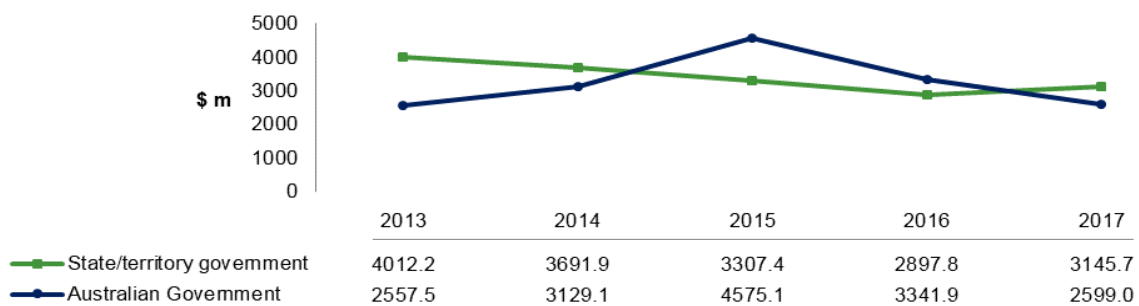
TAA supports the intent of this initiative, however it requires robust funding, complemented by better awareness from industry and comprehensive engagement with secondary schools. There could be an expansion of the VET Information Strategy to a broader career development strategy.

- Replaced VET FEE-HELP with VET Student Loans in 2017.

TAA has concerns with the lack of accessibility of these loans for our sector.

Inconsistent funding

Over the last decade both Federal and State funding has declined, as can be seen in the graph below on revenues from Government, 2013–17:



(Reporting in nominal terms).

Source: NCVER 2017 Financial information 2017, Statistical Report, 1 November 2018, <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/financial-information-2017>.⁷

From 2016 to 2017:

- Australian Government revenues decreased by \$743.0 million (22.2%) to \$2599.0 million
- State and territory government revenues increased by \$247.9 million (8.6%) to \$3145.7 million.

From 2013 to 2017:

- Australian Government revenues increased by \$41.4 million (1.6%)
- State and territory government revenue decreased by \$866.5 million (21.6%).

With higher education funding uncapped and demand driven, more school leavers are going to university and more training providers are gravitating to the higher education system which has greater funding certainty. This contributes to the skills shortage in the accommodation sector.

⁷ 'Revenues from government' include government funds appropriated for VET and Commonwealth payments to the states and territories under the Intergovernmental Agreement on Federal Financial Arrangements framework (IGAFFA).

Leadership is needed on funding

Whilst Australia's federated system means that States/Territories have constitutional responsibility for their VET sectors, it is important that the Federal government take a leadership role. Currently, there is a national approach to competency standards, RTO standards and the development of training products. The Bradley Review of Higher Education in 2008⁸ and the KPMG Reimagining Tertiary Education report⁹ both called for the Federal government to take responsibility for the VET sector. TAA also believes that a positive difference could be made if the Federal government worked with States/Territories to provide an over-arching guiding framework for VET that recognizes the importance of consistent funding to secure the growth and future of VET.

TAA recommends that the Federal Government work with States and Territories to agree to a guiding framework for a stable and sustainable funding system for VET.

VET Student Loans Funding Gaps

The replacement program for VET FEE-HELP, VET Student Loans, is restrictive. Other than for specified exceptions (e.g. aviation), there are three loan cap bands of \$5,075, \$10,150 and \$15,225 (indexed each year), based on cost of delivery. The use of the scheme is dominated by public institutions (i.e. TAFE). VET Student Loans apply to the hospitality and tourism industry (at the lowest cap band) for the following qualifications as per the legislative instrument:

- Diploma of Travel and Tourism Management
- Diploma of Holiday Park and Resort Management
- Diploma of Event Management
- Diploma of Hospitality Management
- Advanced Diploma of Travel and Tourism Management
- Advanced Diploma of Event Management
- Advanced Diploma of Hospitality Management
- Advanced Diploma of International Hotel and Resort Management (specified provider as per schedule 3, capped at \$10,000)

TAFE cooking and chef-related courses generally do not go above Certificate IV and hence are not eligible for VET Student Loans. Statistics from TAFE NSW show that fewer TAFE NSW students in 2017 were supported by VET Student Loans in 2017 when compared with the number supported by VET FEE-HELP in 2016.¹⁰ For students interested in studying qualifications related to the hospitality and tourism industry, accessing VET Student Loans is difficult and different states have different subsidies dependent on a number of factors such as prior qualifications.

This makes navigating the system difficult for students and often means that the funding gap is at least half – and sometimes more – for the qualifications in the hospitality and tourism sector. This is particularly applicable where qualifications are delivered through the dedicated hotel schools that service the accommodation sector. As a result these schools find it difficult to attract Australian students.

⁸ Review of Australian Higher Education (“The Bradley Review”), Commonwealth of Australia, 2008, p 183.

⁹ KPMG, *Reimagining Tertiary Education: From Binary System to Ecosystem*, Professor Stephen Parker AO, 2018.

¹⁰ TAFE NSW, *Annual Report 2017-18*, 31 October 2018, p 22.

It is important that we ensure that policy settings around Student Loans do not favour the university over the VET sector. To that end:

TAA recommends that there be a decrease in the funding gap between qualifications for the accommodation industry and VET Student Loans. There is a need to increase the caps where evidence demonstrates inadequacy in meeting the cost of the course.

Strengthening pathways

Changing negative perceptions of VET

There is significant government research that points to the negative perceptions around VET. As we advised above, we support the intent of the VET Information Strategy launched in 2017, which sought to address misconceptions around VET.

There is however a need to expand this Strategy (*Real Skills for Real Careers*) into a broader career development strategy with funding at the Federal and State level to both lift the profile of VET and provide accessible information and advice on courses and pathways to students, teachers and parents.

Expanding VET

Most states have introduced a range of pathways into the hospitality and tourism sector, that are intended to provide on the job training at the secondary level as part of their hospitality units. Many of these have poor take up because they are complex to access, vary by state and are poorly promoted to industry.

Part of the issue for our sector is that school based hospitality courses are only food & beverage focussed. While there is a significant requirement for cooks and chefs, the industry also requires access to potential employees for other areas of the business and broadening courses to incorporate business skills is likely to attract a more diverse cohort into the industry. As part of the *Real Skills for Real Careers* strategy Government and industry engagement is essential to improve current skills-based education at the school level – including support for pre-apprenticeship and pre-vocational pathways.

Elements of the VET pathway system in other countries could be considered for Australia. Germany and Switzerland have a so-called ‘dual’ pathway which involves time at work (approximately 70%) and the remainder at a dedicated vocational school which results in a national professional qualification. Similar dual type pathways exist in Australia already. For example, in NSW the *Higher Education Apprenticeship Pathway* allows students to concurrently undertake academic study while undertaking related apprenticeship training in a trade vocation, however it has not yet been extended to food trades.¹¹

Industry initiatives

An industry-led future workforce initiative is *Hotel Careers*, which identifies and promotes career pathways for young Australians in the accommodation sector. Hotel Careers seeks to work with schools to showcase the hotel careers paths available and to both educate students, parents and teachers and provide students with opportunities to engage in the accommodation sector more broadly while at school and beyond.

¹¹ Training Services NSW, Higher Education Apprenticeship Pathway Requirements, https://www.training.nsw.gov.au/cib_vto/cibs/cib_572_higher_ed_pathway.html, 6 March 2018.

TAA recommends

- *Expand Real Skills for Real Careers into a broader career development strategy with funding at the Federal and State level to both lift the profile of VET and provide accessible information and advice on courses and pathways to students, teachers and parents.*
- *Government to coordinate and facilitate connections between schools, training providers, and industry to better develop skills-based education.*
- *Government provide funding support for industry led initiatives that both promote the sector and provide actual pathways into the sector.*

Apprenticeships and Traineeships

As part of the broader decline in apprentices, there has been considerable decline in Food Trades apprentices and trainees commencements, completions, and 'in-training' recorded for the June 2018 quarter. National Centre for Vocational Education Research (NCVER) data shows that in NSW for the June 2018 quarter there was a decline across the board for food trades apprentices and trainees:

	2017-18 change	2014-18 change
Commencements	-16.5%	-45.1%
Cancellations and withdrawals	-10.7%	-29.3%
Completions	-9.6%	-48.5%
In training as at 30 June 2018	-11.4%	-28.2%

Source: NCVER, Apprentices and trainees 2018: June quarter - Australia

The accommodation sector has well documented skills shortages for both cooks and chefs, as well as a number of management and other positions. However, interest in apprenticeship pathways has declined as highlighted above due to poor perceptions of the industry as a career, funding gaps and poor career advice.

From an employer perspective, employers find it difficult to hire apprentices when there is:

- 1) high turnover in the position;
- 2) unreliability of the apprentice;
- 3) no certainty of completing the apprenticeship with the hotel; and
- 4) considerable investment by the employer not met by any funding offset.

The *Australian Apprenticeships Incentives Programme* needs to recognise the barriers, in particular the decline and inconsistency in funding and the poor employer and apprentice incentives that exist to hire apprentices and trainees.

A number of changes to policy have contributed to the decline, specifically in the food trades.

- The moving of the Employer Commencement Incentive (\$1,500) from 3 months to 6 months is a deterrent as most of the employer's effort goes into the first three months of the apprentice's employment. For example, recruitment, induction and orientation etc.

- The introduction of a \$20,000 trade loan that replaced the Tools for your Trade incentives paid directly to Australian Apprentices. The incentive/s represented up to \$7,500 tax free paid over the life of the training contract, which proved far more attractive than the current trade loan.
- One area that has considerably declined is adult apprenticeships because of the considerable costs attached to employing and training them versus apprentices under 21. This decline is largely a result of:
 - the discontinuation and changes to incentive arrangements for adult apprentices and existing workers under the Commonwealth Australian Apprentices Incentives Program; and
 - The Fair Work decision to increase adult apprentice wages to 80% of the adult wage in year one from 1 January 2014. Prior to 2014, the minimum wages applying to apprentices was the same regardless of age.

As a result of these changes NCVER data showed that 66% of adult trade apprentices obtained jobs compared to 84% of younger apprentices. We welcomed the Federal Government's recent announcement extending the current Adult Apprenticeship incentive to 21 – 24 year olds. However, the policy settings prohibit take-up of the incentive by the hospitality sector as *"an Australian Apprentice must be in receipt of an 'actual wage' paid by the employer at the date of commencement or recommencement, which is equal to or greater than the National Minimum Wage."*

We recommend that this wording (in red text above) is amended to **'the minimum rate of pay for an adult apprentice in the applicable modern award for the industry'**.

The NCVER research *'The changing nature of apprenticeships: 1996–2016'* points to the inconsistency of funding and Commonwealth policy over two decades. The importance of employer incentives in growing engagement is highlighted by the *'Apprentice Kick Start'* program introduced by the federal government in 2009 to stimulate recovery from the impact of the global recession. This initiative had a significant positive impact on employers taking on apprentices in the food trades.

TAA recommends:

- *Government consider incentives and initiatives to attract more Australians into the industry such as:*
 - *Work with industry to identify pre-apprenticeship programs;*
 - *Increase funding incentives for employers and apprentices in areas of high skills shortages, such as cooks, and provide consistency of that funding over the longer term.*
- *Revise wording of the extended 'Adult Apprenticeship incentive' to improve take up by the hospitality sector.*

We would welcome the opportunity to expand on the issues and recommendations raised above.

Yours sincerely,



Carol Giuseppi

CEO

Tourism Accommodation Australia