



# SEM Submission to the Skills for Victoria Independent Review

## About South East Melbourne (SEM)

The South East Melbourne organisation, also known as SEM, is a grouping of eight councils – as well as businesses and community organisations – located across Melbourne’s south east. SEM promotes the interest of the residents, businesses, and the community in the one of the fastest growing regions in Australia’s fastest growing city.

We welcome the opportunity to participate in the Skills for Victoria Independent Review. We believe we can provide a model that connects students, trainees, job seekers, employers, providers and universities using a regional approach that is the most effective and responsive to the skills needs demanded by the market.

South East Melbourne is one of Australia’s most important economic centres, worth \$85 billion in Gross Regional Product, or just under a quarter (24 per cent) of Victoria’s total Gross State Product.

There are already considerable and established education and training assets in south east Melbourne, including Chisholm TAFE, Holmesglen TAFE, Federation University, Monash University and Swinburne University of Technology.

The region is home to two National Employment and Innovation Clusters (NEIC), at Monash and Dandenong. The Monash NEIC features world-class research institutions including the CSIRO and the Australian Synchrotron. The presence of these major research and development centres means the region is also a centre for industry-led research and development and scientific testing centres, global engineering firms and advanced manufacturing companies.

Dandenong has traditionally been one of the major manufacturing areas of Melbourne and the Dandenong NEIC is home to a number of key industrial parks including Victoria’s first eco-industrial park LOGIS, Hallam Business Park and the Estate One park.

Other regional specialisations include agriculture, particularly in the green wedge areas in Casey, Cardinia and Mornington Peninsula, and industries associated with the visitor economy, such as accommodation and food services. The coastal and winery regions along Port Phillip Bay and the Mornington Peninsula attracted 2.3 million visitors over the year to December 2019, generating \$1.0 billion in GRP in 2017-18 or just under 10 per cent of the region’s economy, as well as employing 10,700 people.<sup>1</sup>

Another key industry based in the region is construction. Construction employment has grown considerably in the south east, with an extra 16,000 workers in the 10 years to 2016. There are a high number of construction businesses based in the area, comprising over 20 per cent of businesses in Cardinia (29.4

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<sup>1</sup> [https://www.business.vic.gov.au/\\_data/assets/pdf\\_file/0007/1904092/Value-of-Tourism-to-Regional-Victoria-2017-18.pdf](https://www.business.vic.gov.au/_data/assets/pdf_file/0007/1904092/Value-of-Tourism-to-Regional-Victoria-2017-18.pdf)

per cent), Casey (24.7 per cent), Frankston (26.7 per cent), Knox (21.7 per cent) and Mornington (26.7 per cent).<sup>2</sup>

## SEM and the current VET System

Prominent SEM industries such as manufacturing, accommodation and food services and construction are all key users of the VET system. And so, it is important that training system works to its fullest capacity, supporting local businesses and workers, and contributing to the region's economic growth.

The skills review discussion paper, together with the Victorian Skill Commissioner's *Regional Skills Demand Snapshot South East Melbourne* report published last year reflects the poor state of the current training system. The reports said:

- Policy changes to the VET system over the past 10 years have left students, workers and employers reeling to the point where engagement with the training system for both parties is at an all-time low.
- Employers in south east Melbourne have a poor understanding of, and engagement with, the formal training system. This is evidenced by their preference for using 457-visa holders to fill worker shortages, as well as a lack of awareness regarding the VET system and qualifications.

Our own consultation for this submission highlighted the need to better match supply with demand, and a need for more timely and flexible training delivery.

## SEM Recommendations to Skills Review

We believe that SEM provides a regional model that can bring together local training providers, employers, students and employees, and that can begin to rebuild the VET system across the south east metropolitan region.

The SEM City Deal, recently secured from the Federal Government, is a tripartite agreement that will fund, coordinate and implement a long-term infrastructure and policy program across Melbourne's south east. Stakeholders include Federal and State government departments, local government councils, water authorities, environment groups as well as universities and TAFEs.

In the same way the City Deal partnership brings together various stakeholders across jurisdictions, industries and the public and private sectors, our organisation can bring together the various players across the south east's skills and training system.

To begin the 'recovery' for the training skills system, we are putting forward the following recommendations that use a regional approach to address the current shortfalls in the system:

**Recommendation 1:** SEM commission/organise a rolling series of skills audits/needs reports for businesses across south east Melbourne. While the Victorian Skills Commissioner's 2019 report has been valuable, we propose a series of more regular, smaller scale reports that provide up to date information on skills requirements for local training providers, so they can tailor their training offer to local business demand accordingly.

**Recommendation 2:** SEM provide a forum for engagement with public and private RTOs who deliver training across the south east. This engagement would be the first step in engaging providers (after the turbulence of the last decade) to give their views and suggestions on how

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<sup>2</sup> ABS Cat no 8265.0 Counts of Australian Businesses, including entries and exits, June 2016 to June 2018

the local training system can work with industry to deliver more timely training that matches supply with demand.

**Recommendation 3:** SEM host regional reference groups that bring together small businesses in the area of various sizes and across various industries to discuss their training needs. The composition of these reference groups may change from year to year, not only in terms of the businesses but also the industries they represent, to ensure a broader and more representative level of industry consultation than that which currently takes place can occur.

The following discussion and analysis forms the basis for our recommendations, examining the:

- Employment, occupation and skills composition of the south east
- The level of engagement with employment, education and training in the region
- The impact of COVID 19 on the region's economy
- Outcomes for school leavers on south east Melbourne over recent years in the VET and higher education systems.

The need to reform the current training system is now all the more urgent due to the impact of the COVID 19 emergency. We believe our recommendations for change at the regional level would be an important first step in training providers and users regaining confidence in the VET system, as well as providing an effective and worthwhile mechanism for change.

## Employment, occupations and skills in the south east

Prior to the COVID 19 emergency, employment growth had been strong for workers living in south east Melbourne, rising to 595,500 in November 2019, an increase of 21,400 workers over the previous year.<sup>3</sup> There are many professional and high-level skilled jobs based in south east Melbourne, reflecting the advanced technology industries in the Monash and Dandenong NEICs, as well as the health-sector-related research and development undertaken at Monash University and the Monash Medical Centre. Most professional and high-skill occupations require post-school, higher-education qualifications. The ABS Census data shows that the proportion of SEM residents working as professionals is slowly increasing (from 16.7 per cent in 2006 to 19.3 per cent ten years later).

Higher education attainment is associated with strong employment prospects and outcomes, increased income and improved health. Monash (34.8 per cent) and Kingston (25.3 per cent) have proportions of residents with higher education qualifications that are higher than the state average (24.3 per cent). However, the proportion of population with VET sector Certificate qualification across certain SEM LGAs indicate a strong engagement with the training system, reflecting the high levels of employment in the construction and manufacturing sectors in the region. Cardinia (43.3 per cent), Frankston (40.1 per cent), Casey (36.4 per cent), Knox (32.7 per cent) and Mornington Peninsula (36.4 per cent) all have proportions of residents with VET Certificate qualifications well above the metropolitan average of 24.8 per cent.

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<sup>3</sup> Department of Employment, Skills, Small and Family Business, Small Area Labour Markets, June Quarter 2019, released December 2019



## Engagement with employment, education and training in south east Melbourne

Despite the strong employment and business growth in recent years, parts of SEM continue to experience extreme labour market and social disadvantage. According to the last set of labour market data compiled before the onset of the COVID 19 pandemic (December 2019), Greater Dandenong had the highest unemployment rate (9.1 per cent) of all LGAs in Victoria, almost double the state unemployment rate at the time (4.7 per cent).<sup>4</sup> Early labour market data compiled by the ABS on the impact of COVID 19 on the labour market estimated that as at 18 April (5 weeks after Australia recorded its 100<sup>th</sup> case of Coronavirus) the south east region experienced a 6.3 per cent decrease in jobs while the Mornington Peninsula region experienced a 7.9 per cent decrease in jobs. The Victorian average was 7.6 per cent.<sup>5</sup> High levels of youth unemployment in parts of the south east also reflect a cohort of young people that is not engaged with either the labour market or the education and training system. The 2016 Census data indicates that Cardinia (13 per cent), Casey (14.3 per cent), Greater Dandenong (16.4 per cent), Mornington Peninsula (11.7 per cent) and Frankston (14.2 per cent) all had proportions of 20-to-24-year-olds not engaged in any form of employment, education or training that were higher than the state average (11.1 per cent).

Some suburbs in south east Melbourne also experience extreme levels of poverty and disadvantage, particularly Doveton, Hampton Park, Dandenong, Springvale, Springvale South, and Noble Park West, which scored in the lowest ten percent (that is, 1 on the 10 range scale) across the four SEIFA indexes<sup>6</sup> compiled by the Australian Bureau of Statistics. Poverty and disadvantage can impact upon a person's capacity and willingness to finish school or go into further training.

Prior to the COVID 19 emergency, SEM had identified the need to increase participation and access to relevant skills across the SEM region in order to increase productivity, as well as address problems associated with social disadvantage.<sup>7</sup> This has only become more pressing in recent months.

## Impact of COVID 19 on south east Melbourne's economy

The COVID-19 emergency will have a pronounced impact on the south east economy over the coming months and even years, most likely influencing:

- Employment, and particularly, youth employment in the region. It is likely the LGAs which had high proportions of recent school leavers in employment will see a considerable increase in unemployment over the coming months. Many economists note that it is young people who suffer in times of an economic downturn, experiencing difficulty in entering the workforce.<sup>8</sup> The youth unemployment rate (15-24 years) for the south east has already increased dramatically over the last year, from 4.7 per cent in May 2019 to 15.7 per cent in May 2020.<sup>9</sup>

<sup>4</sup> <https://docs.employment.gov.au/documents/small-area-labour-markets-december-quarter-2019>

<sup>5</sup> <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6160.0.55.001Main%20Features8Week%20ending%202%20May%202020?opendocument&tabname=Summary&prodno=6160.0.55.001&issue=Week%20ending%202%20May%202020&num=&view=>

<sup>6</sup> Socio-economic Indexes for Areas (SEIFAs) indicate the level of social and/or economic disadvantage in a geographic area, giving a score for each area in Australia on a scale of one to ten. A low score (e.g. 1 or 2) indicates high levels of disadvantage, whereas a high score such as 10, places an area in the top 10 per cent of wealth and advantage. It is derived from combining a series variables relating to low income, low educational attainment, high unemployment and other attributes of disadvantage from the Census. The four SEIFA indexes are the Index of Education and Occupation (IEO) reflecting educational and occupational levels, the Index of Economic Resources (IER) related to income and wealth, the general socio-economic Index of Relative Socio-Economic Disadvantage (IRSD) and the Index of Relative Socio-Economic Advantage and Disadvantage (IRSAD) on economic and social conditions.

<sup>7</sup> ABS Census

<sup>8</sup> <http://www.rossgittins.com/2020/05/women-part-timers-and-young-hardest-hit.html>

<sup>9</sup> ABS, Labour Force, Australia, Detailed - Electronic Delivery, May 2020, Cat. No. 6291.0.55.001

- A fall in the employment levels and numbers of businesses operating in the region's successful services sector. Retail trade and accommodation and food services industries are major industries across parts of the south east – particularly driven by activity in the tourist economy areas along Frankston and the Mornington Peninsula. Early data on job losses since the COVID 19 emergency began show more than a quarter of all retail trade jobs in the region were lost between February and May 2020, while the number of accommodation and food services jobs fell by a third.<sup>10</sup> Employment numbers in these industries are likely to be very sluggish over the next year, not least due to the decline in international tourist visitation.
- International education enrolments at TAFEs and universities based in the south east such as Holmesglen and Chisholm TAFEs and Monash University, impacting the economic performance and funding model of these institutions. This will also have a flow-on affect across the region's economy.

## Impact of policy changes in VET system in SEM over the past 10 years

The review discussion paper noted the series of VET policy changes made over the past ten years that have impacted negatively on the sector and its reputation. These have included

- the influx of private providers
- provision of poor-quality training
- inconsistent, and often overly expensive, fee structures.

SEM is fortunate to have two of Victoria's leading TAFEs, the Holmesglen and Chisholm Institutes, which have both continued to successfully operate throughout the recent period of upheaval without having to merge or close campuses. Nevertheless, evidence on post-school outcomes for students across SEM as well as employers and industry based in the region confirms the review papers assertion that 'The legacy of these disasters still clouds the sector, and public trust in VET remains low.'<sup>11</sup>

## Outcomes for school leavers in the south east

Every year in Victoria, the Department of Education conducts a survey of school leavers known as 'On Track' to monitor their destinations and outcomes six months after they completed school. At the state-wide level, the most recent release of On Track survey data found:

- The majority of Year 12 completers (75.1 per cent) continue on to further education and training after school, and enrolment in a bachelor degree is the prevalent pathway. The survey found the proportion of school leavers undertaking bachelor degrees has not changed much since 2014 (54.3 per cent in 2014, compared to 54.9 per cent in 2018).
- Since 2014, the most obvious change for Year 12 completers has been a decline in the rate of enrolments in the VET system, specifically students undertaking Certificates or Diplomas. At the state level this fell from 16.3 per cent in 2015 to 12.1 per cent in 2018.
- Between 2014 and 2018, the proportion of Year 12 completers in employment increased, and
- After slight increases in 2015 and 2016 the proportion of Year 12 completers undertaking apprenticeships or traineeships (largely Certificate III trade apprenticeships) has remained unchanged.<sup>12</sup>

<sup>10</sup> REMPLAN - ABS 2016 Census, REMPLAN ABEIS Survey, ABS Weekly Payroll Jobs & Wages, O\*NET U.S Department of Labour and Grattan Institute. Data courtesy of the City of Casey

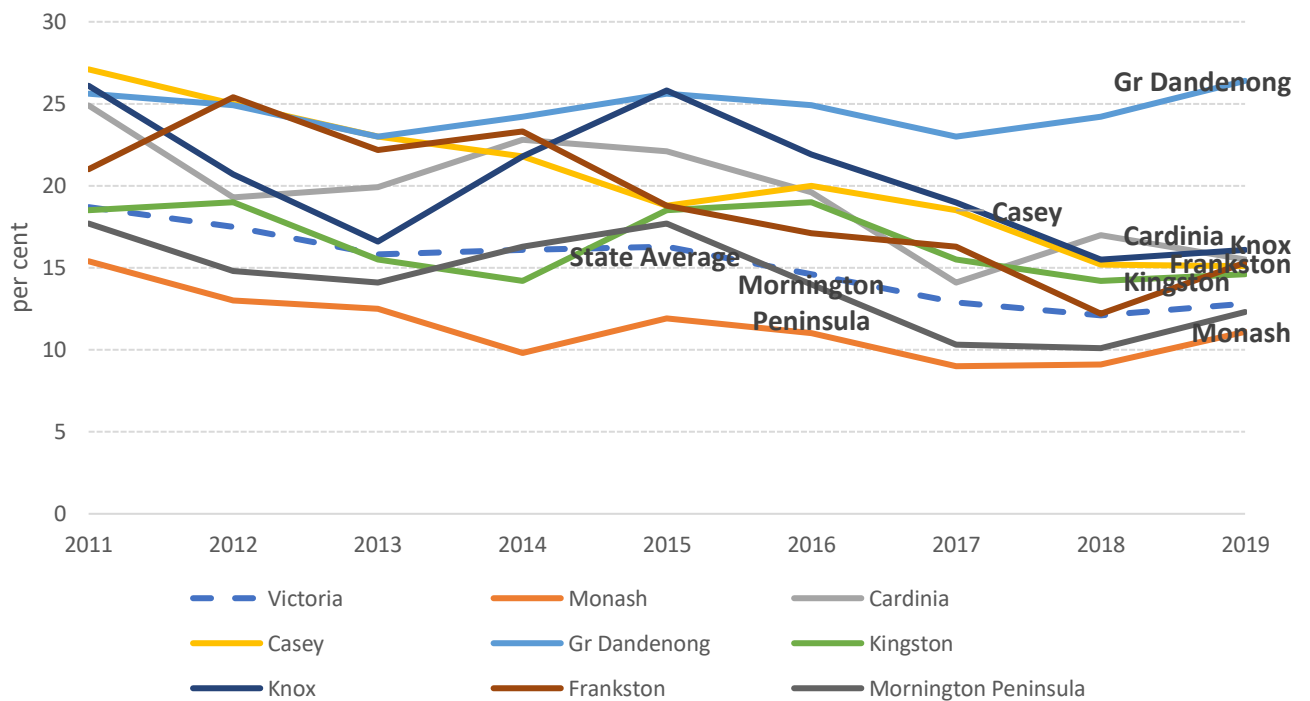
<sup>11</sup> Skills for Victoria's Growing Economy Issues Paper, March 2020, p.14

<sup>12</sup> Department of Education, On Track 2018: Destinations of Victorian School Leavers, 2018 Snapshot, p.2

In terms of outcomes across south east Melbourne, this has followed the statewide pattern of falling proportions of school leavers who are enrolled in Certificate or Diploma courses 6 months after finishing Year 12. With the exception of Greater Dandenong, all south east LGAs experienced declines in Certificate/Diploma enrolments over the last nine years.

The declines in Casey, Frankston and Knox since 2011 have been particularly pronounced, with Casey dropping from 27.1 per cent in 2011 to 15.1 per cent by 2019, and school leavers from Knox decreasing from 26.1 per cent to 16.1 per cent over the same time. Frankston's high point of 25.1 per cent of enrolments in 2012 had fallen to 15.1 per cent eight years later.

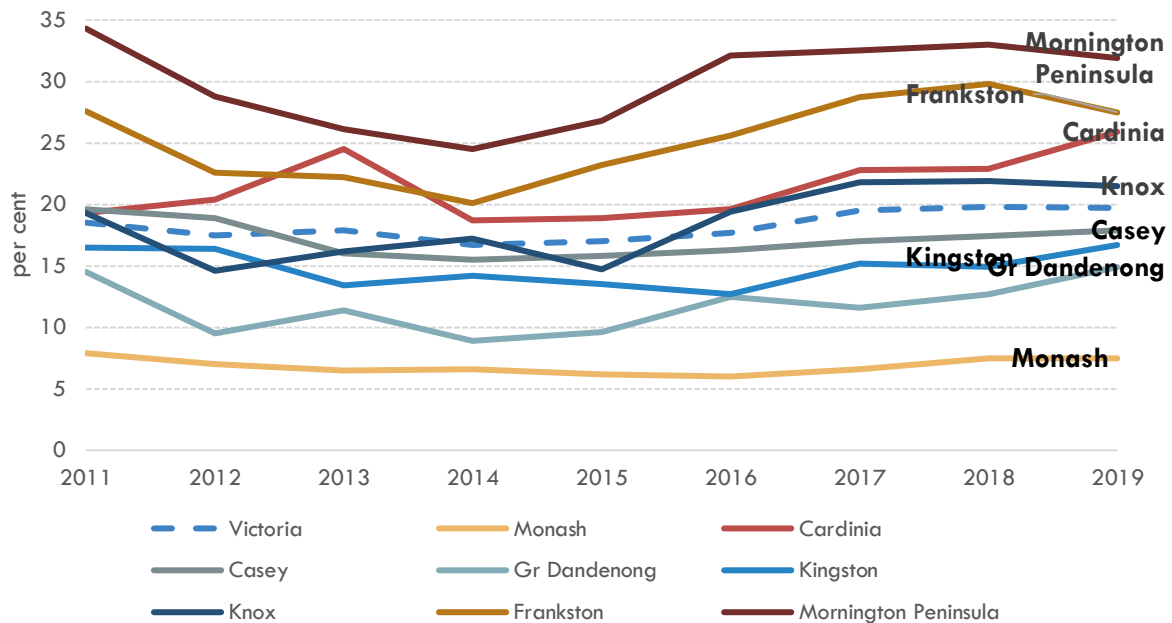
**Chart 1: Proportion of Year 12 completers enrolled in Certificate/Diploma courses 6 months after finishing school**



Source: Department of Education, On Track data, 2015 and 2019

As the proportion of school leavers in Certificate or Diploma courses declines, the On track data shows Year 12 completers are not talking up university study or apprenticeships in greater proportions, but are instead going straight into the labour market.

Chart 2: Proportion of Year 12 completers employed 6 months after completing school



Source: Department of Education, On Track data, 2015 and 2019

Chart 2 shows that from 2014 onwards, the proportion of Year 12 completers who went straight into employment after school increased across most south east LGAs. The proportion of school completers who went straight on to employment after Year 12 in 2019 in Mornington Peninsula (31.9 per cent), Frankston (27.5 per cent) and Cardinia (25.9 per cent) were particularly higher than the state average (19.7 per cent).

This development is confirmed in the Victorian Skills Commissioners recent *Regional Skills Demand Snapshot South East Melbourne* report, which surveyed over 1000 businesses in 2019. When surveyed on their recruitment preferences, the report found ‘notably, employers in the South East Melbourne Region are just as likely to recruit recent school leavers as they are individuals with a VET qualification’.<sup>13</sup>

This data also suggests that unemployment, and youth unemployment in particular, is likely to substantially increase in these three LGAs over 2021 as the economy recovers from the COVID 19 emergency.

## The impact of VET reform over recent years on south east employers and their engagement with the training system

The Victorian Skills Commissioner’s report provides an employer and industry perspective on the impact of the detrimental policy changes to the VET system over the last decade, and points to a training and qualification system that is now in need of considerable support and promotion to repair its reputation.

Other alarming findings contained with the VSC report into industry needs in the south east include:

- a low level of awareness of the TAFE/VET system among employers in the south east, particularly in the professional services (62 per cent), retail trade (51 per cent) and manufacturing (46 per cent) industries.<sup>14</sup>

<sup>13</sup> Victorian Skills Commissioner, *Regional Skills Demand Snapshot South East Melbourne*, July 2019, p.13

<sup>14</sup> Victorian Skills Commissioner, *Regional Skills Demand Snapshot South East Melbourne*, July 2019, p.15



- a higher than average level of staff turnover in the south east due to a combination of employers' preference for hiring new workers as skills gaps arise, rather access and arrange training for their existing workforce, together with a reliance on labour hire, rather than establishing an ongoing workforce within their companies
- A preference in the community services, health and manufacturing sectors in the area to fill skill shortages using skilled migrant workers from the 457-visa scheme, as opposed to locally sourced workers
- A preference for recruiting older workers, particularly in the manufacturing sector, reflecting the poor awareness of opportunities in the manufacturing industry among the younger people (e.g. "Manufacturing is dying")
- Prevalent industries in the south east such as food and fibre not using accredited training very much, due to out-of-date training product content.

The comments made in the report regarding the relationship between employers in the food and fibre sector and the formal training system illustrate the reputational damage the VET sector has suffered and the impact this had on employers:

*Employers highlighted that part of the reason for low engagement is a result of the industry being targeted by low-quality training providers in previous years, who offered government-subsidised training in the workplace. This experience had negatively impacted the views of several employers in this sector, resulting in a poor perception of the VET system, low awareness of available training and a reluctance to re-engage.<sup>15</sup>*

We believe SEM can perform an important role in regaining the confidence of local businesses with training system by providing a platform for both training providers and businesses to come together. We propose that the Victorian Government use SEM to

- Provide a forum for training providers in the south east to give their views and suggestions on how the local training system can work with industry to deliver more timely training that matches supply with demand.
- Similarly, provide a forum for local businesses of various sizes and across various industries to form regional reference groups to discuss their training needs. The composition of these reference groups may change from year to year, not only in terms of the businesses but also the industries they represent, to ensure a broader and more representative level of industry consultation than that which currently takes place can occur.

## **Impact of COVID 19 on school leavers and employers in the south east – implications for the training system**

The On Track data suggests the occupations school leavers from the south east have found work in are mainly in the Retail Trade and Hospitality sectors, with sales assistants, waiters, checkout operators & cashiers, kitchenhands and counterhands at food outlets common employment destinations. This reflects the high level of Retail and Accommodation and Food Services employment, particularly in tourist economy areas along Frankston and the Mornington Peninsula and to a lesser extent, Knox, Casey and Cardinia and their proximity to the tourist areas in the Dandenong Ranges.

These are the industries that currently most affected by the COVID 19 emergency and it is likely that opportunities for employment in the region in these industries will decline considerably over the coming

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<sup>15</sup> Victorian Skills Commissioner, Regional Skills Demand Snapshot South East Melbourne, July 2019, p.26



year. School leavers who would otherwise have entered the labour market will need to undertake further study or training to avoid unemployment.

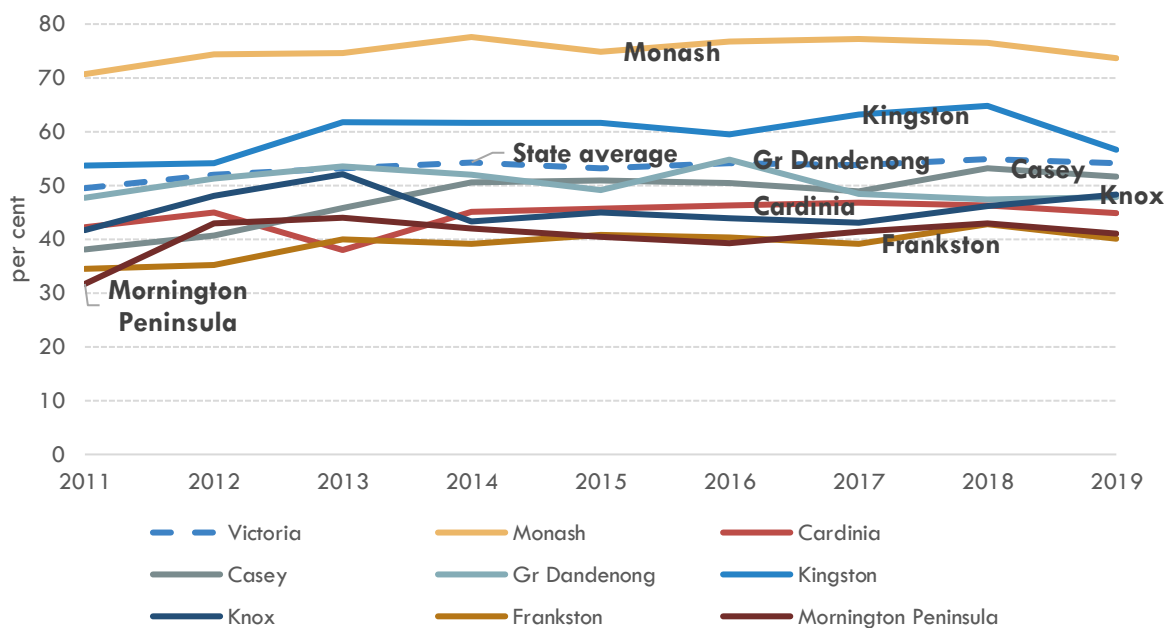
For employers across the south east it is unlikely, at least in the short term, that foreign workers on 457 visas will be so readily available as the COVID 19 pandemic brings international movement and travel to a halt.

## Higher education participation in South East Melbourne

For residents of south east Melbourne, higher education attainment is associated with strong employment prospects and outcomes, increased income and improved health. As discussed earlier, Monash (34.8 per cent) and Kingston (25.3 per cent) have proportions of residents with higher education qualifications that are higher than the state average (24.3 per cent).

The On Track data reflects this wider pattern, with proportions of school completers from Monash and Kingston going on to University study at levels that are greater than the state average. Overall, only school completers in the City of Casey have increased in terms of the proportion of Year 12 completers going on to University study the following year, increasing from 38.1 per cent in 2011 to 51.7 by 2019. The On Track data suggests that in spite of the demand driven system that saw uncapped tertiary places available over much of the past decade, the proportions of students in the south east going on to University study has stayed largely the same.

**Chart 3: Proportion of Year 12 completers enrolled in a Bachelor degree program 6 months after completing school**



Source: Department of Education, On Track data, 2015 and 2019

The Federal Government recently announced changes to the fee structure for undergraduate degrees in Australian universities.<sup>16</sup> It remains to be seen whether this will have an impact on the numbers of school leavers undertaking higher education although in the event of an economic downturn, it can be expected

<sup>16</sup> <https://www.abc.net.au/news/2020-06-22/university-fee-changes-dan-tehan-capitalist-economics-analysis/12377498>

that more school leavers will undertake the option of further study, faced with a deteriorating labour market.

Urgent action must be taken to address this combination of a worsening jobs market, a VET/TAFE suffering reputational damage that has left it in poor standing with potential students and employers alike and an uncertain future for university attendance due to recently announced changes to the fee structure for undergraduate courses.

## **Conclusion**

We believe central to the necessary action in redressing the current poor state of the training system is to use a regional approach, which will effectively and positively help to rebuild the VET sector across Melbourne's south east.

SEM is the ideal organisation to bring together all the relevant stakeholders and provide a forum that matches skills supply with demand at a regional level. The COVID 19 emergency means action to bring together providers, industry, employees and students in order that they all regain confidence in the training system is all the more urgent. We believe our recommended actions would be an important first step in this process.