

A large abstract graphic featuring a blue and white light trail effect, resembling a road or a tunnel leading towards a bright light source on the right. The background is composed of various shades of blue and white, with a green and yellow vertical bar on the right side.

Skills Australia

Skills for prosperity
a roadmap for vocational
education and training

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Foreword

On behalf of Skills Australia I am pleased to introduce *Skills for prosperity – a roadmap for vocational education and training*.

This report puts forward comprehensive reforms for the way the Australian vocational education and training (VET) sector is developed, organised and financed. Our recommendations for its 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.

The report draws on the experience and expertise of a broad range of stakeholders, who generously contributed their views through more than 140 submissions and through consultations attended by nearly 500 people.

The recommendations are driven by two realities.

First, Australia is poised for long-term prosperity through the resources boom but will be held back unless we can meet the requirement for the additional skills our economy demands and ensure those skills are well used. This will require investment.

Second, stakeholders tell us that the VET sector has served the nation well and we should be rightly proud of its achievements. We agree. However VET needs to change in order to realise its greater potential and our national needs.

The time for change is now and the benefits are clear. We have quantified the increases in qualifications and investment needed at around a 3 per cent growth per annum from now until 2020. If the VET sector is positioned as a key enabler of the vision, then the dividend arising from this investment is certain through the benefits delivered by increased workforce participation and improved national output.

Important as increased and sustained investment is for the vision, a 'business as usual' approach will not achieve it. Our proposals are reinforced by views from the field that excellence must be our goal; that improved information, transparency and better outcomes are fundamental to the sector's reputation; and that learners and enterprises must be our core focus.

I wish to thank the many stakeholders who joined in the consultation process in a clear indication of the passion felt about the VET sector. It is a passion and commitment we share.

We are confident this report will assist in forging a revitalised direction for vocational education and training as a pillar of our future prosperity. We commend it to all Australian governments, industry, training providers and, indeed, all stakeholders as a platform for the development of this vital sector and as a basis for the next intergovernmental agreement.



Philip Bullock

Chair
Skills Australia
May 2011



Contents

Foreword	iii
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Executive summary	1
Our objective	1
The context	1
The vision	2
Future directions	3

Summary of recommendations	10
-----------------------------------	-----------

1 Building Australian prosperity—the case for a renewed role for VET	20
1.1 The challenges ahead	20
1.2 Growing skills	21
1.3 The challenge of the decade—increased workforce participation	22
1.4 The importance of foundation skills	25
1.5 Better use of knowledge and skills	25
1.6 Better matching of skills provision to needs	27
1.7 A renewed vision for VET—the ‘adaptive layer’	27
1.8 An essential investment with valuable returns	29
1.9 A vision and principles for the sector’s development	30
1.10 Strategic outcomes of the sector for 2025	31
1.11 Indicators of success	31

2 Putting learners and enterprises at the forefront of service	34
2.1 Complexity undermines purpose	34
2.2 Stimulating individual and enterprise demand for skills	35
2.3 Overview of the proposed individual entitlement system	38
2.4 Managing industry needs and potential risks associated with the proposal	41
2.5 Opening up pathways to learning and work—system changes	43



3	Enabling skills use and productivity in enterprises	45
3.1	Stimulating demand for skills at the enterprise level	45
3.2	Industry leading workforce development and better use of skills	46
3.3	Increasing the momentum on better skills use and workforce development	47
3.4	Proposal for an Enterprise Skills Investment Fund	49
3.5	Proposal for industry leadership	53
3.6	Proposal for more effective application of employer incentives	55
3.7	Overview of a proposed model for apprenticeships and traineeships — pathways to differentiated outcomes	57
3.8	Proposal for redesigned support services for enterprises, apprentices and trainees	60
4	Communities and connections	64
4.1	Breaking out of policy silos — linking employment and training services	64
4.2	Building bridges between services	66
4.3	Integrating effort across jurisdictions and supporting regional development	69
4.4	Providing the structures and mechanisms in VET for a place-based approach	73
5	Aspiring to excellence	78
5.1	The case for improving the quality of teaching and learning outcomes	78
5.2	Building robust national VET regulation	81
5.3	Eligibility criteria for providers to deliver entitlement places	83
5.4	Strengthening the AQTF	85
5.5	High-quality and rigorous delivery of the Training and Education Training Package	87
5.6	Growing a professional and skilled VET workforce	91
6	Delivering outcomes and understanding the sector's contribution	98
6.1	The case for transparency	98
6.2	What type of information is required?	99
6.3	Improving data collection and data quality	101
6.4	Promoting an outcomes focus	104
6.5	Completion rates: a contentious issue	105
6.6	Addressing 'churn' at lower qualification levels	107
6.7	How engaged are VET learners?	108



7	Providing diverse and relevant learning products and services	109
7.1	VET's diverse market	109
7.2	Harnessing the learning opportunities of the digital age	110
7.3	The imperative to lift foundation skills	113
7.4	Agile products to equip learners for the future world of work	116
7.5	High-quality implementation of learning products	119
7.6	Skill sets as a tool for workforce development and pathways	120
8	Better pathways across more integrated education sectors	125
8.1	A more integrated tertiary sector	125
8.2	The momentum for better integration is well advanced	127
8.3	Opportunity for further integration	127
8.4	VET diplomas and advanced diplomas — should they be included in a tertiary entitlement model?	130
8.5	Facilitating integration	130
8.6	The multiple purposes of VET in Schools programs	132
9	Securing prosperity — investing in skills for participation and productivity	141
9.1	Investment to deliver the changes we need	141
9.2	Estimating the investment needed	142
9.3	Learning and using skills on the job	147
9.4	An increased and sustained public investment is needed	149
9.5	Sharing the cost of training	150
9.6	Guarding against perverse outcomes	154
9.7	The role of states and territories	155
10	Creating a simpler system	157
10.1	The impact of complexity	157
10.2	Reforming system leadership	159
10.3	Streamlining the apprenticeship system	162
10.4	The vexed issue of 'nominal hours'	164
	Appendix A: The consultation process	166
	Abbreviations and acronyms	168



Executive summary

Our objective

The Governor of the Reserve Bank has remarked on ‘the challenge of prosperity’ faced by Australia.¹ Record high terms of trade have given the nation a potentially huge economic advantage. Yet we risk missing out on the opportunities to unleash long-term prosperity through the resources boom unless the issue of educational attainment is addressed. The wealth and social wellbeing created by a highly skilled and educated population is indisputable.

We believe the clear purpose of the Australian vocational education and training (VET) sector over the coming decade is to meet the nation’s demand for the additional skills that will be required to address economic and demographic change and to improve workforce participation and productivity. We have considered how Australia can best develop, organise and finance the sector to meet these challenges.

Skills Australia sees many examples of excellence right across the sector and training providers, industry leaders and governments can be proud of the substantial achievements in advancing its ongoing development over the last decade. However, we believe that the sector as a whole is not realising its full potential. This report identifies the reforms that are needed to address this.

If the VET sector is positioned as a principal instrument in driving these proposed reforms, then the dividend arising from this investment is certain through the fiscal benefits delivered by increased workforce participation. We estimate an increase in the operating balances of Australian governments by as much as \$24 billion (in 2005–06 dollars) each year due to improved employment and national output.

The context

The growth of China and India is the most significant economic development likely to have an impact on Australian industry, and hence on the demand for skills, in our economy over the next 15 years. This trend, allied to historically high commodity prices and an emerging three-speed economy, is likely to present a series of upheavals—and potential opportunities—that will need to be carefully managed. The role of skills, and the VET sector’s capacity to deliver them, has to be factored into a comprehensive national response to these events.

Australia also faces a looming demographic crunch as the ageing workforce retires and needs to be replaced. At the same time we are experiencing the paradox of employment growth—more than 2.2 million jobs created in the past ten years—combined with stubborn levels of underemployment. We are in danger of this structural mismatch in the Australian labour force persisting unless the skills of those who are underemployed or unemployed increase to take advantage of the growth in job opportunities that will open up over the next decade through economic growth and workforce retirements.

¹ Glenn Stevens, speech to the Council for Economic Development of Australia, 29 November 2010.



The rationale for action to meet the additional demand for skills, raise foundation skills, improve workforce participation and increase the use of skills is well founded:

- *Demand for additional skills:* Projections indicate that there will be 9.3 million job openings in Australia over the coming years. This will result in demand for around 12 million additional qualifications among those employed over the next 15 years, due to employment growth, retirement of the existing workforce and skills deepening.
- *Foundation skills:* Australia has unacceptably low levels of language, literacy and numeracy; this position has not improved for more than a decade. Close to half of Australia's working-age population (44 per cent) has low literacy skills as measured in the last Adult Literacy and Life Skills Survey.
- *Workforce participation:* Australia's workforce participation statistics compare poorly with similar OECD countries. We also face the dual pressure of an ageing workforce, and a large potential workforce on the margins of the labour force.
- *Skill needs in critical areas:* Shortages have persisted, notably in skilled trade areas and in many engineering and health professional occupations. Some occupations require specific interventions where training lead times are long and shortages risk significant disruption to production.
- *Skill use skills and productivity:* Australia's productivity performance has been sluggish and our international rankings on enterprise innovation and competitiveness have dropped. Better skill use across all occupations is an important contributor to workplace and workforce adaptability. Many jobs have become more complex and this demands greater workplace flexibility and resilience.

The direction of change is clear. Australia needs a workforce in which more people have multiple and higher-level skills and qualifications and use them well. In *Australian workforce futures (2010)*, Skills Australia quantified the increases in skills and qualifications Australia would need to address the challenges outlined above. The increases represent around a 3 per cent growth per annum in tertiary enrolments from now until 2025.

The vision

Australia's future social and economic prosperity is underpinned by skilled individuals, innovative and productive enterprises and inclusive communities where prosperity is shared.

We believe a vibrant, high-performing and world-class VET sector is a critical enabler of this vision because of its reach and diversity. It achieves this by addressing skill shortages, helping equip more Australians to participate in the workforce and, through skills deepening, improving productivity.

The VET sector has unique capabilities as the 'adaptive layer' of the Australian education system. More than any other education sector, it connects learning with the labour market, the workplace and community development, as well as with individual learner and employer aspirations. It is pivotal as a lever in realising social and economic opportunity.

This review argues for an increased and sustained public investment in vocational education and training of an average \$310 million per annum, accumulating over the period to 2020, to help ensure that all Australians have the opportunity to share in the nation's prosperity. But to deliver Australia's requirement for more skills and their productive use entails not just increased resourcing for the expansion of qualifications. It also requires transformative shifts in the architecture of the vocational education sector so it is capable of delivering the significant results needed.



Future directions

This review has identified nine broad themes for the evolution of the sector. Our consultations, stakeholder submissions² and research have provided substantial evidence and rationale for investment in and reinvigoration of the VET sector. But that investment must be accompanied by rapid reform to realise the vision. This will entail renewal of the sector's focus and organisation. This means changes to its quality and performance and the level of resourcing, as well as the wide availability of comprehensive and consumer information.

1 Putting learners and enterprises at the forefront of service

The way the VET sector is financed and organised is overly complex. Funding allocation organised on the basis of centralised planning has proved less than effective in addressing demand. The needs of learners and enterprises are obscured, and their choices constrained by the sector's supply-side orientation to programmatic responses and detailed funding accountabilities. This has often led to overlapping or competing jurisdictional solutions.

A more unified approach in funding design is recommended by moving nationally to an individual and enterprise demand-led model of public funding to remove financial barriers and to allow increased choice of training provider. This will give clearer messages to individuals and enterprises about publicly subsidised opportunities for skills development.

We recommend as a core feature of the next intergovernmental agreement the redesign of the way public subsidies are prioritised and the way individuals can access funding.

The rationale for this approach is to provide maximum public subsidy for those seeking the equivalent of school- and entry-level qualifications. The safeguards we propose for this more market-oriented approach are the implementation of tougher regulatory expectations and performance incentives for providers. We see the individual entitlement model as operating within social and economic policy objectives informed by industry advice and linked to increased participation.

New directions include:

- a nationally agreed entitlement to fully publicly funded places for individuals undertaking vocational courses up to and including Certificate III, and all foundation skills courses. This would be available without restriction on the overall number of places available and irrespective of whether it is the first or subsequent qualification. Higher-level courses would be co-funded by students through an income-contingent loan
- provisions for governments to exclude, cap or introduce incentives for certain courses of study in alignment with the occupations on Skills Australia's Specialised Occupations List
- the introduction of more rigorous regulatory provisions as a platform for the new funding model
- the introduction of Student Start-Up Scholarships for VET students on Youth Allowance, Austudy and Abstudy.

2 See Appendix A for further details on the consultation process.



2 Enabling skills use and productivity in enterprises

Consultations identified the need for better integration of training with developments within firms as a necessary reform of the VET sector. This was seen as a cornerstone for improving enterprise productivity and lifting Australia's sluggish middle-ranking position as an innovative country. Newly acquired and existing skills must be used if they are to make a difference to individual job satisfaction, enterprise-level efficiency and the broader economy.

We propose a deeper focus on workforce development and skills use, rather than the continuing extension of the more traditional focus on training and skills formation. We argue for extensive reforms in the way VET is organised and financed to achieve this objective. At the centre of the proposals in this roadmap is a shift towards industry leadership of funding to enterprises.

Redesign of financial incentives and services for employers, apprentices and trainees are also outlined in order better target resources and to stimulate a broader focus on workforce development. We also propose this program be brought within the auspice of the new funding program and advisory arrangements.

New directions include:

- utilisation of existing Australian government enterprise-linked funds to form an 'Enterprise Skills Investment Fund' to concentrate public investment on the achievement on workforce development and improved skill use in enterprises. The fund would be led by industry advice on priorities and funds would be available to enterprises to use at their provider of choice. Enterprises would make a scaled contribution to the cost of delivery.
- incorporation of several Australian government funding streams in the proposed Enterprise Skills Investment Fund. The allocation of the existing worker proportion of the Productivity Places Program is recommended as the core component of the fund. Other enterprise-linked programs are also recommended for inclusion under the umbrella of the fund. These include, but are not limited to, the Critical Skills Investment Fund.
- the incorporation of the Australian Government's apprenticeship support program, including the strategy and application of financial incentives and benefits for employers and apprentices within the Enterprise Skills Investment Fund and its industry advisory arrangements. The aim of this reform is to create greater connection across government incentives to enterprises to leverage them for increased workforce development.
- reform of the current employer incentive scheme to ensure financial assistance is prioritised and targeted to achieve workforce development outcomes. These funds should be linked to sustainable apprenticeship careers and those traineeships where equity or other government economic priorities are evident. To be eligible for incentives, enterprises should conduct workplace skills analyses and have workforce development plans in place.
- redesign of the Australian Apprenticeships Centre program. We recommend that this program be reconceptualised and funding be redirected to a new service, providing on-the-job support, including case management, mentoring, assistance with quality workplace training and advice on workforce development matters. There is the opportunity to negotiate with states and territories in the redesign of the service to establish integrated services for single points of contact for all matters related to enterprise-linked programs.

3 Supporting communities: better targeted and coordinated effort

Vocational education and training plays a vital role in local communities and contributes to regional development through productive partnerships with enterprises, employment services providers, community groups and government agencies.

However, there are high levels of overlap in program delivery at national and state level. Many training and employment service providers are often working in parallel to support the needs of learners and job seekers. There is a need for better use of funding, especially in regional centres and in areas of entrenched social disadvantage, for improved learning and employment outcomes for highly disadvantaged clients.

Better partnerships can be facilitated by providers developing linked approaches that put the individual or the enterprise at the centre of their activities. Governments play an essential role in fostering more integrated or place-based initiatives and can encourage these through funding incentives and/or contract requirements.

Public TAFE institutions and the adult and community education sector will continue to have an essential and catalytic role in social and economic development in regions and communities, a role that is not limited to training provision. This will need to be cultivated within a more competitive training market. The role of these providers needs to be specifically acknowledged in the next intergovernmental resourcing agreement.

New directions include:

- the establishment of formal links between employment services and vocational education and training providers. New Australian government contracts with employment service providers should require employment services to engage with training providers and other community organisations on joint program planning
- the utilisation of state training authority advice to achieve higher levels of integration and collaborative service delivery between training and employment services providers
- articulation of the role of the public provider and of the adult and community education sector in the next intergovernmental resource agreement
- the determination of core funding, or specific resourcing frameworks to support the role of public providers in a more competitive environment, aligned with the introduction of governance and operational reforms to enable their greater flexibility to operate in a more competitive environment
- a higher profile for Regional Development Australia committees and their responsibility for the design of regional workforce development strategies.

4 Aspiring to excellence

The debate over quality is the issue that most troubles VET stakeholders. This review identified the need for a comprehensive package of reforms in the sector's quality practices, especially in the delivery of teaching and assessment. This includes more decisive resolution of poor registered training organisation (RTO) performance, transparent assessment practices, improved availability of data on performance of individual RTOs, and greater depth in the professional requirements for practitioners in the sector.

Concern was evident about the significant task of achieving a world-class VET sector acknowledged for its high-quality teaching and learning outcomes. The national VET regulator, the Australian Skills Quality Authority, and the National Standards Council will need to be well resourced to drive an integrated package of reforms.



New directions include:

- a robust and properly resourced national VET regulatory system
- reform of the Australian Quality Training Framework to mandate independent validation of a sample of a provider's student assessments annually
- a reduction in the number of VET practitioners working under supervision without the required qualifications
- high-quality and rigorous delivery of the Training and Education Training Package, which is central to building qualifications and capability in the VET workforce
- support for the VET workforce by building the depth and breadth of workforce qualifications and investing in a national VET workforce development strategy
- introduction of nationally agreed criteria for RTOs to be eligible as providers of publicly funded entitlement places.

5 Delivering outcomes and understanding the sector's contribution

Our vision for the VET sector has, at its core, lifting confidence in its quality. By any measure, national estimated course completion rates in the range of 20 to 35 per cent, depending on certificate level,³ raise serious questions about the nature of the VET learning experience as well as systemic issues related to learners' interests in taking only modules or skill sets as opposed to full qualifications. The increased public and private return on investment from the completion of full qualifications is in the national interest. A key strategy to drive quality improvement is to ensure transparency so the system as a whole can clearly see what it is achieving and judge it, using appropriate and reliable data and information.

Robust, objective and easily accessible evidence is a fundamental feature of good consumer information. It is also a powerful means for users, owners and purchasers of services to monitor and compare the characteristics and quality of outcomes of services. We recommend a range of strategies to strengthen the sector's outcomes and their transparency.

New directions include:

- the introduction of outcomes-based funding to increase the sector's focus on performance and to improve the private and public return on the completion of qualifications
- the introduction of incentives for Registered Training Organisations' performance in relation to completion of qualifications above Certificate III by low SES and disadvantaged students; improvement of Australian Quality Training Framework (AQTF) indicators on learner engagement, employer satisfaction and competency completion; and full course completions
- the publication on the *MySkills* website of each VET provider's course and student profile and students' outcomes; AQTF performance indicators; assessment validation results; and, when introduced, new indicators for industry, education and community partnerships
- the requirement for VET providers, as a condition of registration, to provide data compliant with the national VET statistical standard to create a comprehensive national data collection and to promote transparency
- the development and introduction of independently designed and administered survey tools to more objectively measure learner engagement.

3 Mark, K and Karmel, T (2010) *The likelihood of completing a VET qualification: a model-based approach*, NCVET.



6 Providing agile and adaptive products and services

Adaptive learning products, together with a highly skilled VET workforce underpinned by robust regulation, are a central part of a reform package focused on the excellence of the VET teaching and learning experience. However there are increasing challenges for learning products to be agile and remain fit for purpose in an environment of constant change.

The digital age is transforming the way Australians live and work, with new millennium learners expecting learning to incorporate creative and innovative ICT as a matter of routine. Broadband developments will offer untold opportunities to more easily reach learners and enterprises. However this means the sector has to expand the number of VET professionals adept in this field, manage the risks to the quality of products, and appropriately regulate delivery of training in this rapidly changing area of teaching and learning.

The imperative to lift foundation skills means making such learning products readily useable by Industry Skills Councils and by all providers. Ongoing reforms to training packages to increase their flexibility will provide the tools to equip learners with the adaptive skills and knowledge required for the future world of work.

New directions include:

- supporting teachers and trainers to develop their skills to optimise the use of digital media and broadband infrastructure
- developing a national bank of foundation skills units and qualifications owned and maintained by Innovation & Business Skills Australia on behalf of all industry skills councils to create entry pathways into lower-level qualifications and through to higher-level learning,
- accelerating work by industry skills councils to make underpinning knowledge more explicit in training packages, and to elevate VET's role in boosting Australia's innovation skills and capability
- publicly funding skills sets, within specific parameters, to create pathways into further learning and work. We propose parallel development of data collection and evaluative work to monitor the impact of this reform.

7 Ensuring better pathways across education sectors

To help meet projected demand for higher-level qualifications and skills, progression between education sectors should be as simple as possible.

Recent higher education sector reforms have given impetus to stronger links across the tertiary sector. Burgeoning institutional developments, including joint infrastructure and franchising arrangements, are underway, particularly to increase pathways and enrolments for students from disadvantaged background. Skills Australia considers these organic developments to be appropriate, but moves towards a more integrated tertiary sector should not compromise the distinct attributes of the VET sector, especially its connections with industry and the world of work.

There are still impediments to a seamless tertiary sector that could be addressed with more uniform funding arrangements, particularly where universities and VET providers are operating in the same space.

There was strong support in submissions for the value of VET in Schools programs in broadening opportunities for school students and providing links to the world of work. However there is considerable disquiet among stakeholders and evidence of uneven quality, confused purpose and lack of confidence in the program's outcomes. The impending introduction of National Trade



Cadetships lends weight to the case for detailed analysis of the effectiveness of the various approaches currently in place and their relationship to this new initiative.

New directions include:

- the extension of access to Commonwealth-funded higher education places to VET providers offering specialist degrees with a vocational emphasis
- the provision of income-contingent loans for those undertaking Certificate IV and above courses
- a national review of VET in Schools by industry and governments to outline a strategy to improve the quality, effectiveness and industry acceptance of these programs.

8 Securing prosperity through sustained and balanced investment

Persisting with current levels of VET provision will result in shortages of skilled labour and skills gaps among those employed that will constrain long-term economic growth. If demand for skilled labour is to be met and potential constraints on economic growth avoided, the number of graduates in tertiary education needs to increase by 3 per cent per annum.

If all tertiary education is to expand by 3 per cent per annum, a large part of the growth will have to be drawn from those groups previously under-represented for whom VET programs will be a necessary starting point and pathway to higher qualifications.

An expansion in VET qualifications and increased support services to improve access and completion rates cannot be met without substantial and sustained increases in resourcing and changes to the existing investment framework. However, the growth in investment recommended is in line with the projected increase in the required number of qualifications. The constraint in the expansion of funding needed has been achieved by specifically allowing for an improvement in the effectiveness of the sector through higher completion rates.

New directions include:

- the requirement for an additional \$310 million per annum accumulating, from \$8,286 million in 2008 and rising to an estimated \$12,000 million in 2020. This is an average increase in funding of just on 3 per cent per annum over the period
- the introduction of a co-contribution financing framework where individuals undertaking higher-level qualifications, as well as larger enterprises, share the cost of training with government
- performance incentives to encourage support, as well as improved outcomes, for disadvantaged students
- changes to the indexation mechanisms used for the sector to better reflect the real cost of service delivery.

9 Creating a simpler system

The Australian VET sector is generally considered both complex and not readily comprehensible to clients. It is unnecessarily difficult for clients to access and navigate and difficult for others, including policy makers, to understand. This complexity is caused by a convergence of factors. The sector is governed and funded by multiple jurisdictions. It intersects with the school, community and higher education sectors; it has two main sets of clients—industry and individuals—who may sometimes have different objectives; and it is characterised by significant diversity among its learners and in its products and stakeholders.



The package of recommendations in this review is intended to have a positive impact on the overall focus, effectiveness and coherence of the system.

In addition, we recommend specific reforms to make the system easier to understand and navigate. Some of these changes are based on simplifying the distribution of responsibilities between governments, including the introduction of national regulation of apprenticeships and traineeships.

New directions include:

- the realignment of jurisdictional governance and service functions based on a clearer distribution of responsibilities between the Commonwealth and the states and territories
- the introduction of a simplified and streamlined national regulatory policy and legislative framework for the apprenticeship and traineeship system
- the introduction of nationally consistent nominal hours of training required for qualification delivery as a part of the training package development and endorsement process.



Summary of recommendations

Section 2 Recommendation 1: Putting learners and enterprises at the forefront of service

That Australian governments agree:

- a) to address the expansion of qualifications needed to meet the workforce participation and productivity challenges Australia faces by the 2020s through the comprehensive introduction of individual and enterprise demand-based funding as a core feature of the next intergovernmental resourcing agreement for the sector
- b) to include in the new financing arrangements for the VET sector an entitlement for individuals to public subsidy on the following basis:
 - for those undertaking vocational courses up to and including Certificate III, and for all foundation courses, this should entail the full public subsidy
 - for those undertaking Certificate IV and above, this should entail partial public subsidy and co-funding between individuals and governments and be supported through an income contingent loan (see recommendation 23a)
 - entitlements to public funding should apply irrespective of whether it is a learner's first or subsequent qualification
 - the national introduction of student and employer demand-based funding should not occur until the quality provisions outlined in recommendations 12e and 13 are in place to ensure quality of delivery is reinforced.
- c) to utilise provisions to exclude, cap or introduce incentives for certain courses of study in alignment with the occupations on the Specialised Occupations List developed by Skills Australia.

Recommendation 2: Student financial assistance

That the Australian Government agree, to ensure equity for students across VET and higher education and to increase access to VET for disadvantaged learners, that Student Start-Up Scholarships be extended to VET students on Youth Allowance, Austudy and Abstudy and that the rules governing access be reviewed to ensure those who are most disadvantaged can access the support.

Recommendation 3: Enabling workforce development

Section 3

That the Australian Government:

- a) amalgamate existing enterprise-linked funding streams into an 'Enterprise Skills Investment Fund'. These include, but are not limited to:
 - the Critical Skills investment Fund
 - the existing worker proportion of the Productivity Places Program (including the Enterprise Based Productivity Places Program)
 - an expanded Enterprise Connect and Workplace English Language and Literacy Program, and the Workplace Innovation Program.These funds would be allocated to enterprises for workforce development purposes informed by the advice of industry and building on the experience and evaluation of the Enterprise Based Productivity Places Program.
- b) continue the Productivity Places Program funding from 2013–14 and redirect 50 per cent of this funding stream to constitute the core element of the proposed 'Enterprise Skills Investment Fund' for existing worker training and improved skills use by enterprises.

Recommendation 4: A new advisory mechanism for industry-driven reform

That the Australian Government establish an industry-led advisory group to advise on the guidelines, priorities for allocation, and determination of the allocation of the proposed 'Enterprise Skills Investment Fund'. Such advisory arrangements could be aligned to the role of Skills Australia.

Recommendation 5: Better targeting and prioritisation of financial incentives for employers, apprentices and trainees

That the Australian Government:

- a) undertake the following reforms of financial incentives for employers and learners:
 - target and prioritise financial assistance to employers so funds are linked to sustainable careers, or where equity or other government economic priorities are evident, as described in the proposed model in Figure 3.2 on page 59. The funds should also be used to leverage workforce development outcomes
 - following a stocktake, rationalise other financial benefits and allowances for employers and apprentices to ensure they are focused on stimulating improved outcomes
 - to be eligible for incentives, employers should undertake workplace skills analyses and have workforce development plans in place.
- b) agree to incorporate the strategy and guidelines for the application of financial incentives for employers and apprentices under the umbrella of the 'Enterprise Skills Investment Fund' and the industry advisory arrangements proposed at recommendation 4, to achieve a coordinated direction on the various elements of enterprise-linked funds at the national level.



Recommendation 6: Services for employers, apprentices and trainees

That the Australian Government:

- a) restructure the Australian Apprenticeships Centre program and redirect funding for a redesigned service. The new role should be targeted to the following outcomes: apprentice and employer advice and engagement, successful work placements and improved completions. In addition, the service should assist with on-the-job support including case management, mentoring, assistance with quality workplace training and advice on workforce development matters
- b) agree to the strategy and program guidelines for this enterprise-linked service to come under the umbrella of the industry-led 'Enterprise Skills Investment Fund' to maximise its focus and support linkages with enterprise-level workforce development initiatives
- c) in designing the new service, negotiate with states and territories to establish single points of contact for all matters related to apprenticeship operations, pastoral care of apprentices and support for employers in order to ensure simplified, devolved and integrated service provision.

Section 4

Recommendation 7: Ensuring joined-up services

That the Australian Government incorporate in the new round of contracts with employment services agencies the requirement to undertake joint program planning with local registered training organisations and intermediaries for the design of joined-up local services in regions of entrenched disadvantage and to make better use of funding for improved employment outcomes for highly disadvantaged clients, notably stream 3 and 4 unemployed.

Recommendation 8: Streamline services to reduce duplication and improve coordination

- a) That Australian governments agree to assess areas of overlap across jurisdictions' employment and workforce development programs to:
 - consolidate their number
 - rationalise duplication and complexity
 - improve their effectiveness and make the necessary changes to achieve streamlining.
- b) That the Australian Government agree, as part of the next tender for employment services, to delegate the objective and oversight of better integrated services and outcomes to the state training authorities. This should include fostering strong links between local employment coordinators and stakeholders to ensure a high level of integration between employment services and training and workforce development providers, especially in areas of entrenched disadvantage.

Recommendation 9: The role of the public provider in communities

That Australian governments:

- a) articulate the role of the public provider in the next intergovernmental resourcing agreement for the sector
- b) in introducing an entitlement funding model, agree to maintenance by state and territory governments of core or base funding to enable public providers to fulfill a public good role that cannot be achieved through market-based arrangements. Such funding must be subject to clear performance outcomes and reform accountabilities, including greater flexibility in governance arrangements.

Recommendation 10: The role of adult and community education in communities

That Australian governments affirm the importance of the adult and community education (ACE) sector as a pathway for individuals undertaking pre-vocational, bridging, entry-level and foundation skills programs by formally acknowledging in the next intergovernmental resourcing agreement for the sector the role played by ACE providers in attracting previously disengaged learners.

Recommendation 11: Regional skills and workforce development

That the Australian Government require Regional Development Australia committees to develop regional workforce development strategies in consultation with other regional stakeholders, including local councils, registered training organisations, local employment coordinators, Chambers of Commerce and relevant state training authorities.

Recommendation 12: Building robust national VET regulation

Section 5

That Australian governments agree:

- a) the national VET regulator, the Australian Skills Quality Authority (ASQA), be resourced to drive the fundamental change required to achieve a world-class VET sector acknowledged for its high-quality teaching and learning outcomes
- b) the fee structure established for ASQA move towards full cost recovery and revenue retention with the ultimate objective of the regulator maintaining its functions through self-funding
- c) to ASQA's representation on the National Standards Council to enable greater collaboration between the two bodies
- d) to include in the functions of ASQA the role of identification and dissemination of examples of excellence in provider practice to drive continuous improvement in teaching, learning, and assessment, and learner support
- e) to implement criteria that RTOs must meet to become eligible providers of publicly funded entitlement places. ASQA should identify appropriate criteria and provide advice to governments. ASQA should also advise how such criteria might most efficiently interact with the national regulatory regime to ensure minimum regulatory burden.



Recommendation 13: Implementation of mandatory external validation of assessment

That Australian governments agree to:

- a) reform the Australian Quality Training Framework to include implementation of mandatory external validation of providers' assessments, both on and off the job
- b) incorporate the requirement for registered training organisations to undertake external validation as a feature of the next intergovernmental resourcing agreement for the sector.

Recommendation 14: High-quality and rigorous delivery of the Training and Education Training Package

That Australian governments agree that:

- a) providers seeking registration to deliver the Training and Education Training Package (TAE) must meet the Australian Quality Training Framework standards and in addition:
 - demonstrate a track record in delivery of nationally recognised qualifications in an industry area other than the TAE for a period of at least two years
 - show evidence that governance arrangements include expertise in teaching and learning and competency-based training and that this expertise is used to monitor and improve learning outcomes
 - demonstrate a track record in ongoing formal professional development of their staff
 - meet a requirement for an external validation conducted by an expert validation panel before initial and renewal registration
- b) teachers who train and assess the Certificate IV in TAE must have higher-level qualifications than the Certificate IV and demonstrated experience as a teacher/trainer
- c) those seeking to demonstrate competence at the level of the Certificate IV in TAE must prepare and deliver at least four consecutive supervised training sessions, two of which are assessed by an assessor independent of the registered training organisation delivering the qualification.

Recommendation 15: Growing a professional and skilled VET workforce

That Australian governments agree to:

- a) invest in the development and implementation of a National VET Workforce Development Strategy to include the elements outlined in this report, with funding of \$40 million per year over six years, indexed but non-accumulating, as recommended in *Australian workforce futures*
- b) progressively reduce the number of VET practitioners working under supervision and without the Certificate IV in Training and Assessment (TAE) from 2011, so that by 2013 all VET practitioners should hold the qualification (or equivalent)



- c) strengthen the Training and Education Training (TAE) Training Package by
 - including a broader range of entry-level and higher-level qualifications and by offering areas of specialisation and career paths into higher education qualifications, to address the diversity of practitioner roles
 - making the language, literacy and numeracy elective mandatory in the Certificate IV (TAE) as a priority
- d) consider reforms that enable the public provider to attract, retain and reward staff in a competitive market that is focused on achieving excellence in teaching and learning outcomes
- e) undertake the development of a comprehensive instrument to measure and describe the VET workforce.

Recommendation 16: Information transparency and increased outcomes focus

Section 6

That Australian governments foster quality provision of training and assessment through greater transparency and better consumer information by:

- a) requiring all registered training organisations, as a condition of registration, to provide data compliant with the Australian Vocational Education and Training Management Information Statistical Standard that will readily enable a comprehensive national data collection and promote transparency
- b) implementing publication on the *MySkills* website of the following information for all registered training organisations:
 - robust quality indicators on learner engagement, employer satisfaction and student outcomes
 - course profiles, annual student enrolments, course completions, module completions, skill set completions and qualifications awarded
 - student population characteristics, including low socioeconomic status and other disadvantaged student cohorts
 - assessment validation practices and results
 - student services, including career advice services
 - workforce development and other services to industry
 - articulation and credit transfer agreements with higher education providers, and agreements and partnerships with schools and industry
- c) requesting NCVET to examine the possibility of changing the NCVET Student Outcomes Survey methodology to allow publication of individual provider results.



Recommendation 17: Outcomes-based funding

That Australian governments agree to shift from input-based to output- and outcomes-based funding models, including a funding model that rewards completions. Specifically:

- a) Public funding of registered training organisations should progressively move to a system of staged payments at enrolment, at mid point and a final payment based on module completion, with 100 per cent of funding being allocated for 80 per cent module completion.⁴
- b) The Quality Skills Incentive (\$129.8 million commencing in 2011–12 announced by the Australian Government) should be used to reward improved provider performance in:
 - the AQTF quality indicators on learner engagement, employer satisfaction and competency completion
 - Australian Qualifications Framework qualification completions
 - completion of qualifications above Certificate III by low socioeconomic status and disadvantaged students.
- c) New performance indicators should be introduced into the NCVER data collection to measure and report on VET provider community engagement and workforce development services.
- d) In relation to recommendations a), b) and c) above, outcomes-based funding should not be implemented until the Australian Skills Quality Authority has been established for two years and rigorous processes are in place to ensure quality is not compromised.
- e) The National Centre for Vocational Education Research should be asked to report on whether the current methods of surveying employer satisfaction and learner engagement, as quality indicators under the Australian Quality Training Framework, are adequate.

Section 7

Recommendation 18: Harnessing the learning opportunities of the digital age

That Australian governments agree to maximise the potential of the Vocational Education Broadband Network (VEN) to build excellence in teaching and learning and enrich learning in the digital age through:

- a) building upon the foundation of resources established by the Australian Flexible Learning Framework
- b) creating links between the VEN development and the development of the National VET Workforce Development Strategy proposed in recommendation 15
- c) the National Standards Council developing a set of national quality standards for digital content and product development
- d) the Australian Skills Quality Authority developing a robust risk-based approach to regulation of the quality of digital learning.

⁴ As the national average for module completions is approximately 80 per cent, this level provides a reasonable benchmark for funding module completions.

Recommendation 19: Redesigning products for the future world of work

That Australian governments agree to:

- a) strongly support the development of the National Foundation Skills Strategy through funding of language literacy and numeracy programs to the levels recommended in *Australian workforce futures*
- b) develop as a priority a dedicated national bank of foundation skills units and qualifications at a range of Australian Qualifications Framework levels, owned and maintained by Innovation & Business Skills Australia on behalf of all industry skills councils
- c) ask industry skills councils to accelerate work on the design of qualifications so they continue to be fit for purpose and provide individuals with the adaptive capacity required for the changing world of work including:
 - achieving the right balance of skills- and knowledge-based units, particularly at higher-level qualifications and providing pathways into qualifications for learners who are preparing to enter work
 - developing industry advice to support providers in high-quality implementation of learning products and excellence in teaching and learning
- d) publicly fund skill sets under the enterprise-responsive and individual funding streams within the parameters outlined on page 123
- e) assess the impact of skill set delivery on enterprise workforce development, and on achieving pathways to higher-level learning and work, three years after the commencement of these funding arrangements.

Recommendation 20: A more integrated tertiary sector

Section 8

That Australian governments agree to:

- a) ensure a 'level playing field' between VET and higher education providers so that there are no perverse incentives for students to choose courses and institutions on the basis of fee structures rather than career choice, interests and aptitudes
- b) give access to Commonwealth-supported higher education places to VET providers who meet certain quality criteria for specialist degrees with a vocational emphasis.

Recommendation 21: VET in Schools

That industry and governments undertake a national review of VET in Schools to pursue in more depth the issues raised in consultations.

This review should investigate how the system is currently operating across the states and territories with a view to outlining a strategy to improve the quality, effectiveness and industry acceptance of these programs.



Recommendation 22: Investing in the growth of skills

That Australian governments agree:

- a) to support an increase in funding of 3 per cent per annum, or an average of \$310 million, accumulating, each year from 2012–13, and rising to an estimated \$12 billion in 2020 to meet:
- the costs of the expansion of VET qualifications by 3 per cent per annum
 - the expansion of existing support programs to address this growth and
 - the introduction of new initiatives to enhance the capacity and capability of the sector, especially to meet the increased cost of delivery to a more diverse spectrum of VET learners and to improve participation, delivery and outcomes for disadvantaged learners.

This commitment is linked to agreement to:

- the co-contribution financing framework, outlined in recommendation 23, to increase the share of funding provided by enterprises and individuals
- improved module and qualification outcomes (recommendation 17)
- the introduction of performance incentive loadings and outcome indicators for institutions that demonstrate improvements in learners' language, literacy and numeracy outcomes and/or achievement of progress by under-represented or lower socioeconomic background students to higher-level learning and work

- b) to maintain the future value of increased funding for VET by reforming the indexation formula so that it reflects salary movements plus Consumer Price Index weightings
- c) that in order to implement the reform agenda outlined in the recommendations for a reinvigorated VET sector, to earmark \$5 million each year, totalling \$15 million over three years, as part of the next intergovernmental resourcing agreement for the sector.

Recommendation 23: A new investment framework for vocational education and training

That Australian governments agree to individual and enterprise co-contribution arrangements as part of the reformed financing arrangements within the next intergovernmental resourcing agreement for the VET sector based on:

- a) the cost of the qualification being shared between individuals and government for publicly funded vocational qualifications at Certificate IV and above, and that income-contingent loans be made available to support the student contribution. In introducing this scheme nationally the Australian Government should negotiate with states and territories to agree the minimum and maximum fee chargeable to individuals for publicly funded Certificate IV and above courses
- b) the development and design of a VET-specific income-contingent loan related to field of study and occupational returns
- c) a scaled enterprise contribution of 10 to 50 per cent of the cost of delivery determined on the size of the firm where employers are accessing funds from the proposed 'Enterprise Skills Investment Fund' for skills and workforce development.

Recommendation 24: Realignment of governance and service functions

Section 10

That Australian governments agree to clearer delineation and separation of functional roles, premised on:

- a) the Australian Government driving coherence of national strategy, policy, regulation and standards
- b) state and territory governments delivering services; reducing duplication and maximising service impact; providing seamless support for learners and enterprises; streamlining for consistency; and increasing comprehensibility and ease of access.

Recommendation 25: Streamlining apprenticeship and traineeship policy and regulation

That Australian governments agree to:

- a) regulation of apprenticeships and traineeships at the national level in line with the move to streamline and introduce national consistency in other regulatory and industrial functions
- b) the establishment of a high-level apprenticeship advisory body to provide independent leadership and expertise to guide the transition to implementation of national regulation of the apprenticeship system recommended above. The longer-term arrangements for the strategic leadership of the apprenticeship system should be integrated within the functions of existing national advisory or regulatory bodies.

Recommendation 26: Enhancing national consistency

That Australian governments agree that industry skills councils, as part of the training package development and endorsement process, advise on the nominal hours of training required for qualification delivery in the interests of national consistency and qualification integrity.



1 Building Australian prosperity—the case for a renewed role for VET

The following discussion highlights major trends, challenges and opportunities that are likely to determine Australia's future economic and social prosperity. We argue for the central role of the Australian vocational education and training sector in responding to these challenges and opportunities. We conclude by outlining our vision for the sector in creating a nation of skilled individuals, innovative and productive enterprises and inclusive communities where prosperity is shared.

1.1 The challenges ahead

As a new decade unfolds we face a unique moment in our history. Australia has emerged from the global economic downturn much faster than expected. Significant economic and social opportunities await us—depending on how effectively the nation deals with the challenges of an economy at near full employment and record terms of trade driven by the resources export boom.

The former Treasury head has suggested that the historically high commodity prices and favourable terms of trade are likely to be the most significant structural shock the Australian economy has ever experienced and one that could extend over several decades.⁵ Central to this development is the emergence of China and India into the global economy, the single most significant international economic development likely to have an impact on Australian industry, and hence on the demand for skills, over the next 15 years.

Uneven growth—a so-called 'three-speed economy'—may be part of this experience. We can expect that considerable negative pressures on large sectors of the economy—manufacturing, tourism and agriculture—will occur as a result. Skills shortages are also emerging as a factor.

A key policy imperative, and one where the education sector has a pivotal role, is to enhance the adaptability of workers and of businesses to weather the transition and avoid the significant disruptions to jobs, regions and industries that could occur as the economy adjusts. We need to ensure Australia is on secure ground when the boom period inevitably passes.

Resilience in the short term, as well as in the long term, will be critical. The impact of recent natural disasters and the demands of rebuilding underscore the essential role a deep, flexible and portable skills base plays in our economic and social fabric.

It is a time for hard decisions. Australia has the opportunity—perhaps a once-in-a-generation opportunity—to take the high skills road to productivity and workforce participation reforms which Skills Australia argued for in *Australian workforce futures*,⁶ or continue on the well-trodden track of past experience. We cannot afford to lose further ground through sluggish productivity levels and stagnant workforce participation among some groups.

5 Maher S (2010), 'Industry aid will spark rate rises, Ken Henry warns', *The Australian*, 23 November 2010 <http://www.theaustralian.com.au/national-affairs/industry-aid-will-spark-rate-rises-ken-henry-warns/story-fn59niix-1225958895220>

6 Skills Australia (2010), *Australian workforce futures*

Prime Minister Gillard recently remarked that ‘nurturing the boom and sharing the growth won’t just happen’ but will depend on essential reforms being put in place.⁷ Skills Australia believes that investment in skills is central to the reforms necessary to realise our aspirations as individuals and for national advancement.

We believe a vibrant, high-performing and world class vocational education and training sector lies at the heart of this challenge. Australian VET providers will need to lift their capability, capacity and performance significantly if we are to achieve long-lasting rewards from this situation. Many of those consulted as part of this review argued, and Skills Australia concurs, that this will require substantial change in the way the sector is organised and financed so it can respond effectively.

Unlike other education sectors, much more is perhaps expected—and indeed can be celebrated—from the achievements of vocational education and training. It occupies a special position at the interface of the labour market and welfare systems and is a powerful lever for change. Not only does it cater for the 40-year-old Hobart worker who is looking for a promotion in her employer’s ecotourism venture, but also the early school leaver in a remote town who wants to change his life by working with young people in alcohol counselling and mental health, and the aspiring IT engineer who looks to starting up his own business some day.

Governments have already put significant effort into reforming and building the higher education sector and schools. Similar efforts are now required for reform of the VET sector.

Recent years have seen a notable investment in the sector by the Australian Government. However, this report argues for an increased and sustained public investment in vocational education and training of an average \$310 million per annum accumulating over the period to 2025, to ensure that all Australians have the opportunity to share in the nation’s prosperity.

But that investment has to be accompanied by root-and-branch change in VET. A transformative shift of gear is needed. For too long the sector has faltered in dealing decisively with underperformance in delivery, uneven quality and resistance to transparency in outcomes. This is holding back those who aspire to excellence and who visualise a system where innovation, adaptability and a positive embracing of complexity are the norm.

1.2 Growing skills

The direction of change is clear. We need a workforce in which more people have not just skills, but also multiple and higher-level skills and qualifications.

In *Australian workforce futures* Skills Australia presented the case for action to meet the additional demand for skills, to improve workforce participation, to raise foundation skills and most importantly to ensure better use of these skills in the workplace. We estimated that Australia will require an additional 2.4 million people in the workforce with qualifications at Certificate III level and higher by 2015, increasing to 5.2 million by 2025, to meet projected industry demand and the replacement of retiring workers.⁸ To approach the quantitative expansion in qualifications required by the 2020s, tertiary enrolments need to expand by 3 per cent per annum.

Deepening skills across all occupations and at all skill levels is crucial to achieving long-term productivity growth. It reflects the recent trend for jobs to become more complex and the consequent increased demand for higher-level skills. Australia’s skills profile contrasts with that

7 Prime Minister Julia Gillard, speech, Committee for Economic Development of Australia, 1 February 2011

8 Skills Australia, *Australian workforce futures*, p.2



of a number of comparable OECD countries—we have a lower proportion of workers with intermediate skills. Mavromaras has noted that for Australia to have a skills profile resembling that of the United States, Germany or Finland, a very substantial level of upskilling would be required.⁹

Upskilling is only one part of the equation: ‘a sole focus on higher level qualifications not only squeezes out disadvantaged learners but potentially “over-trains” and undervalues a whole group of existing workers in particular industry sectors’.¹⁰ To avoid a narrow focus on upskilling will mean achieving a better ‘saturation’ or coverage of the workforce across all qualifications levels, so workers at all levels can engage in meaningful work where both new and existing skills are well used.

In addition to addressing this long-term expansion, the sector needs to be responsive to structural pressures arising from abrupt changes in the Australian economy. Skills shortages have arisen following recovery from the economic downturn—and the sector needs to have the planning and intervention capacity to insure the economy and the community against future skills shortages, particularly in areas that are of high value and where skills take a long time to develop and acquire.

Australia’s future prosperity depends on its ability to address emerging skills shortages which, if allowed to develop, will result in wage inflation and higher interest rates—both negatives for the economy.¹¹ In the longer term, addressing the predicted shortfall in the supply of skills will assist in increasing workforce participation and mitigating the negative fiscal impact of our ageing population.

1.3 The challenge of the decade—increased workforce participation

The Council of Australian Governments is committed to greater workforce participation to ensure that more Australians contribute to and benefit from the prosperity of the nation. This ongoing national policy engagement to achieve this goal is critical.

For some time Australia has experienced a structural mismatch in the labour market which began to surface in the 1970s. This mismatch is caused by growth in job opportunities not being matched by the skills of those who are underemployed or unemployed. So, in an economic upswing, there is the risk of skills shortages, while at the same time large numbers of people remain either unemployed, or would work if they could find a job, or are underemployed because they do not have the required skill levels.¹²

Indeed, this is the reason why, compared to the 1960s, we currently have a significantly higher unemployment rate yet we tend to accept this as close to full employment. Until we fix the present structural mismatch in the labour market we will be unable to bring down the level of unemployment and underemployment or to reduce the proportion of adults not in the labour force.¹³ Australia’s problems will increasingly be due to a lack of effective workers rather than a lack of jobs.

9 Mavromaras K (2009), ‘A skilled workforce for the future’, *Insights*, vol. 6, University of Melbourne, http://insights.unimelb.edu.au/vol6/08_Kostas.html

10 National VET Equity Advisory Council (2010), *Equity Blueprint 2011–2016 Creating Futures: Achieving Potential through VET*, p.37

11 Winestock, G (2011), ‘Skills shortage worries RBA’, *Australian Financial Review*, 2 March 2011

12 In September 2010 there were as many as 2.7 million of these people, equivalent to 15.1 per cent of the population aged 15 years and over

13 See Australian Bureau of Statistics Table 6202 for definitions of unemployed, underemployed and not in the labour force

This underutilisation of labour and low labour force participation is holding back the growth of employment. The ageing of the population over the next four decades will exacerbate the problem and increase the urgency of a response. The 2010 Intergenerational Report estimates that the proportion of people over 65 will rise from its present share of 17 per cent of the total population aged 15 and over to more than 20 per cent by 2020 and to approximately 24 per cent by 2030.¹⁴ Largely as a result of our ageing population, the aggregate workforce participation rate is projected to fall from its recent level of 65 per cent¹⁵ to 64 per cent in 2025 and to 61 per cent by 2050.

In particular, the ageing of the baby boomer generation will have a major impact on the demand for skills. They make up 27.5 per cent of the Australian population and 41.8 per cent of the workforce. They begin to pass the 65 years of age threshold in 2011 and are already beginning to leave the workforce in increasing numbers.

Our age dependency ratio (the number of people of working age as a ratio of the number of Australians aged 65 and over) is also projected to decline in the years ahead. Currently there are 4.11 workers for every dependent older person over 65. Without appropriate and timely action, by 2025 this number will fall to just 3.04.

The decade ahead is therefore a pivotal one to lay the foundations for change.

Skills Australia’s proposals are aimed at achieving a 69 per cent workforce participation rate by 2025. This would nearly halve the projected increase in the level of dependency of older Australians on those in the workforce.¹⁶

Modelling by Skills Australia for *Australian workforce futures* considered three scenarios that Australia might plausibly face over the period to 2025. This analysis quantified what the different trends towards increased workforce participation and skills deepening would mean for each scenario.¹⁷ The Open Doors scenario most closely reflects current Australian economic policy settings. It assumes an occupational and industry structure that is driven by more global openness.

We estimate that the growth in workforce participation shown in Table 1 is required and achievable. The modelling also showed that this projected participation rate is consistent with the projections for skills, as participation is higher for the increasing proportion with skills:¹⁸

Table 1 Projected increase in labour force participation under Open Doors scenario, 2009–25

	June 2009	June 2015	June 2020	June 2025
Labour force participation rate (%)	64.5	67.7	68.3	68.8
Workforce (employed and unemployed) (million)	11.3	13.3	14.6	16.0

Source: Skills Australia, *Australian workforce futures*, 2010.

14 Australian Treasury (2010) *Intergenerational report—overview*, p.5

15 Skills Australia calculation of average for 2010, based on ABS data

16 Skills Australia, *Australian workforce futures* p.26

17 The term ‘skills deepening’ is explained in Access Economics (2009) *Economic modelling of skills in demand*, Skills Australia, p.47. There are two concepts captured by skills deepening. On the one hand, it can mean an increase over time in the proportion of people within a given occupation or industry with a post-school qualification. On the other hand, it can also mean within a given occupation or industry seeing an increase in the proportion of people with higher-level qualifications (or an increase in number of qualifications per person on average). Both of these trends have occurred over recent years.

18 Access Economics, *Economic modelling of skills demand*, p.11



As noted in *Australian workforce futures*:

A current COAG target is to halve the number of people aged 20–64 without qualifications at the Certificate III and above level by 2020. If this target were achieved and the age specific participation rates for each group (with and without qualifications) did not change between 2008 and 2020, the resulting overall labour force participation rate would be very similar to that shown here for open doors as well as close to the rate that would be achieved if Australia reached the current 80th percentile of OECD age-specific fertility rates. Hence the labour force participation rate for this scenario is one which is both achievable (based on overseas experience) and consistent with higher levels of skill development contained within COAG targets.¹⁹

While comparing well overall to the OECD average, Australia needs to lift workforce participation among three groups—working-age men, women aged 25 to 34, and older Australians—if we wish to meet the performance of comparable high-performing countries. Using OECD comparisons, in 2008 our participation rate was lower than countries with comparable labour forces to our own such as New Zealand and Canada.

There is a strong regional dimension to the workforce participation story. Australia’s cities and regions have quite variable participation profiles coinciding with large clusters of disadvantage across a range of social indicators.²⁰

There are communities of significant employment disadvantage and individuals who, for a variety of complex reasons remain outside or on the margins of the labour market. Failure to address these issues will have enormous consequences for our future prosperity—not just for individuals, but for the nation as a whole. We will need to address the causes of the stubbornly persistent low educational attainment that underpins much social and economic disadvantage.

We see the VET sector as having a major role in responding to this challenge and reaching people who have only been marginally or intermittently connected to the world of work and formal education. The sector has a strong profile in appealing to and attracting such learners who have often had poor school experiences as well as those who are not ready for higher education. Compared to higher education, VET has almost double the proportion of students from low socioeconomic backgrounds; triple the proportion of students from non-English-speaking background homes; five times the proportion of Indigenous students; and a strong presence in regional Australia.²¹

Some students in the sector can be characterised as vulnerable learners. Many will need the right encouragement through a mix of incentives and assistance to overcome a range of personal constraints or barriers such as ill health, low self-esteem or family responsibilities. This support requires the combined resources and expertise of multiple service providers, particularly the intensive and flexible services offered across both employment and training programs. To successfully enter and stay in the workforce, students will often need to develop basic capability in areas such as language, literacy and numeracy.

19 Skills Australia, *Australian workforce futures*, p.26

20 Vinson, T (2007), *Dropping off the edge: the distribution of disadvantage in Australia*, for Catholic Social Services Australia and Jesuit Social Services

21 Skills Australia (2010), *Creating a future direction for Australian vocational education and training*, p.30

1.4 The importance of foundation skills

Addressing the lack of foundation skills is critical in assisting people to enter and sustain employment.²² Close to half of Australia's working-age population (44 per cent) has low literacy skills (level 1 and 2) as measured in the Adult Literacy and Life Skills Survey in 2006. This equates to nearly six million people. Approximately 15 per cent (2.1 million) are in the lowest literacy category (level 1). Added to this, 60 per cent of unemployed Australians have a level of literacy below the accepted standard needed to work in the emerging knowledge-based economy. In many cases this is a 'hidden' problem. Many workers and employers do not recognise language, literacy and numeracy as a skill issue. Some workers just 'get by' and others may actively disguise communication issues for fear of discrimination.

This is a profound issue for our society and economy. As the Prime Minister recently commented:

We need more workers—for today and tomorrow ...It is vital that we unlock all the potential of our labour market: Both the young people who are the workers of the future. And the adults of working age whose absence from the labour force is not only a social tragedy but an economic risk. But to the maximum extent possible, I want to ensure that every Australian who can work, does work.²³

Submissions to our discussion paper²⁴ have argued that making a real difference to increasing workforce participation is not just about attracting learners to the system; it is also about providing appropriate support to retain learners, and thereby improving their chances of successful completion.²⁵ This translates to the kind of programs that are offered, the way they are provided and the inclusion of mentoring and other supports for learners.

It is also most important for foundation skills to be developed in conjunction with work-based experience through the whole spectrum of learning, not just at preparatory levels. As people move through their working lives they may experience varying and challenging communication pressures. They will need the adaptability to deal with changing workplaces, new technology, environmental sustainability and career transitions.

1.5 Better use of knowledge and skills

In parallel with the development of new skills, the effective and strategic use of existing skills in individual enterprises is as important in achieving productivity growth as the actual acquisition of those skills. Australia's recent productivity performance has been lacklustre. The Australian Treasury puts this down to 'a dearth of major productivity-enhancing reforms over the past decade or so'.²⁶

22 Foundation skills encompass both the core skills (of reading, writing, oral communication, numeracy and learning) described by the Australian Core Skills Framework (ACSF), and employability skills. Foundation skills include language, literacy and numeracy (LLN). Foundation skills exist on a continuum from very basic skills to highly-developed and specialist skills. National Quality Council (2010) *Foundation skills in VET products for the 21st century*, viewed at http://www.nqc.tvetaustralia.com.au/__data/assets/pdf_file/0020/54803/Foundation_Skills_in_VET_Products_for_the_21st_Century.pdf, p. 3

23 Prime Minister Julia Gillard, speech to the Committee for Economic Development of Australia, 1 February 2011

24 Skills Australia (2010), *Creating a future direction for Australian vocational education and training: a discussion paper on the future of the VET system*

25 National Access Education Leaders Network submission

26 Gruen D (2011), *Draft discussion paper*, Skills Australia and Academy of the Social Sciences in Australia (ASSA) Joint Scenario Development Forum, 7 February 2011, Sydney



A little bit of productivity growth goes a long way. Any reform that could achieve this successfully is a reform worth pursuing. The real risk stemming from the boom, if our own history is any guide, is one of complacency about pursuing those reforms ... Whether productivity growth comes from working harder or working 'smarter', people in workplaces are central to it. The incentives they face and how well their skills are deployed and redeployed in the multitude of enterprises that make up our economy underpins its aggregate performance.²⁷

The way enterprises use the skills of their employees needs to be transformed so that we can make the most of the nation's human resources and so that individuals can have fulfilling careers and meaningful work. This requires significant cultural change and a shift in the way we look at the role of skilling in the workplace.

The VET sector has played an important role in seeding purposeful integration of skills in enterprise contexts. Industry leaders, training providers, and the training system as a whole, must be flexible enough to enable workforce development innovations to expand. Workforce development—in particular, better use of workers' new and existing skills—and productivity need to become a mainstream focus of Australian enterprises and training providers.

Capacity for innovation

Australia has slipped in the rankings of global competitiveness and is hovering around 16th in overall position. The World Bank's assessment of our performance, which uses a broad range of measures, including skills, mentions a 'lack of sophistication in companies' strategy' and notes that 'stronger business environments remain underutilised if companies do not upgrade their operations and strategies as well'.²⁸

Currently, only about 37 per cent of Australian firms undertake process, technology or organisational innovations each year. Some 165,000 firms across Australia would need to be transformed if we were to lift the proportion of firms that are 'active innovators' closer to the European average of 60 per cent.²⁹

There are still widely held views that innovation occurs through breakthrough scientific or technological events, led by dedicated research and development activities in higher education or corporate institutions. An alternative view is that it covers much more, and in some respects, much less than this. Arundel suggests that innovation depends on the incremental and organisational capacity derived from a broad base of knowledge distributed across the whole economy:

Firms in all sectors need knowledgeable and skilled staff that can identify which technologies (including organisational methods) might be of use and to adapt them to the needs of their firm ... The better the skill levels, the easier it is for firms and governments to introduce new technology and to develop ongoing, incremental innovations that improve productivity.³⁰

27 Banks G (2010), *Successful reform: past lessons, future challenges*, Keynote address to the Annual Forecasting Conference of the Australian Business Economists, Sydney, 8 December 2010, Productivity Commission p.4, p.16

28 Schwab K (2010), *The global competitiveness report 2010–11*, World Economic Forum, accessed at: www3.weforum.org/.../WEF_GlobalCompetitivenessReport_2010-11.pdf

29 Skills Australia, *Australian workforce futures*, p.44

30 Arundel A (2011), *Skills for an innovative Australia to 2025*, Skills Australia and Academy of the Social Sciences in Australia (ASSA) Joint Scenario Development Forum, 7 February 2011, Sydney

There is a need for what could be termed generic innovation skills across the whole workforce and for their application to reformed work processes. The undeniable foundation for this to occur is through the extension of strong language, literacy and numeracy skills across the whole population. This also must be matched with well-developed organisational and leadership capabilities in management.

1.6 Better matching of skills provision to needs

Alongside the challenge in lifting the participation rate in the labour force is the issue of particular critical skills needs often summed up as skills shortages. The reasons for shortages can vary. In some cases, changes in pay and conditions, including how skills are used, can possibly be a more appropriate response to a skills shortage where there is high labour turnover.

Skills shortages, especially, need a response in the occupations where the lack of a skill would significantly impede production, where the training lead time is long, and where there is a strong relationship between the person's training and employment in that field. According to Skills Australia's analysis on 'specialised' occupations, approximately 20 per cent of occupations and about the same proportion of employment fall into these categories.³¹

It is important to improve the capacity of education and training to meet such critical shortages. It is also important that students and workers are able to train in areas suitable to their abilities and career aspirations if we are to have committed workers whose skills will be well used.

Some occupations have been persistently reported as being in shortage. The Australian Government's skills shortage list, compiled from a range of information including a survey of employers who have recently advertised, indicates that trades such as bricklayers, cabinetmakers, airconditioning and refrigeration mechanics, and child care workers have been on the shortage list for between eight and ten years.³² The reasons for the shortages can vary and, in some cases, high turnover of workers can be a factor. Training is only one of the responses to such shortages. Skilled permanent and temporary migration may also be part of the solution, especially in the shorter term, for occupations that have long training periods.

Better matching of skills to industry and individual needs requires improved information on emerging opportunities and trends. It also means that incentives and charges in the provision of training need to be reviewed in the light of the industry and individual needs. These are important considerations for the form of the future financing of VET, the provision of entitlements for students and the role of industry and individual contributions to the cost of training.

1.7 A renewed vision for VET—the 'adaptive layer'

Australia's social and economic prosperity is underpinned by skilled individuals, innovative and productive enterprises and inclusive communities. The role of vocational education and training in enabling this vision must be enhanced as a driver of change.

31 Skills Australia, *Australian workforce futures*, p.30

32 DEEWR, National Skills Needs List {<http://www.australianapprenticeships.gov.au/FAQ/Documents/NationSkillNeedList.pdf>}



The sector exists to enable individuals to get the skills and knowledge for sustainable careers in the changing labour market. It works with enterprises to develop skills for more productive workplaces. Its objectives are to:

- increase the skills and capability of individuals so they can reach their full potential in a challenging social and economic environment
- deliver the skills required by industry and intensify the ambition of Australian enterprises to be world class in productive and innovative practices
- support civic participation, social inclusion and regional economic development across communities.

The VET sector has unique capabilities because it connects learning with the labour market, the workplace and community development as well as with individual learner and employer aspirations. It is the 'adaptive layer' of the Australian education system.³³

The sector responds to the world of work and the changing economy and has enormous reach within local communities, enterprises and neighbourhoods, as well as through formal institutions such as campuses, colleges and schools. In Australia the sector has a wide-ranging geographic presence through close to 5,000 providers, many of whom work outside traditional institutional settings. The extensive public infrastructure and capability of the TAFE system is a platform for regional economic development. It is characterised by the leadership role of industry in its development and governance, and the special partnerships between enterprises and providers.

VET has more permeable boundaries than the other education sectors—that is, than schools, which are compulsory, and higher education, which is selective.³⁴ Thus, as a lever of investment, the VET sector links more flexibly and responsively with the social welfare system, as well as organisational, technological and environmental change within firms and at the community level. Investment in the sector represents good value because the funds are not 'locked in' to a single track of delivery.

Consultations and submissions to the discussion paper argued that it is time for the sector to cast off the conflicted self-image and mantle of the 'poor cousin' and to embrace and value its unique role. In part this means a reconnection with 'the duality of the sector'.³⁵ This duality is defined in terms of its service to two central clients, that is, individual learners and enterprises; its focus on vocational as well as further education; and its qualification profile at both the high and low ends of the spectrum.

Submissions to the review put the case powerfully that realising a new vision for the sector cannot be achieved by merely 'tinkering with the system':

The system itself is in a state of almost perpetual reform but avoids tackling the 'big ticket' issues such as the funding model which unless resolved, will continue to erode stakeholder commitment and investment, and limit the effect of related reforms ... What we are talking about requires a fundamental re-conceiving of our system, its scope and purpose, investment models and services.

| *Joint Industry Skills Councils submission*

33 Gravatt, J and Silver, R, 'Partnerships with the Community', in Smithers, A and Robinson, P, eds (2000) *Further education re-formed*, Falmer Press

34 *ibid.*

35 Skills DMC submission

1.8 An essential investment with valuable returns

The cost of the various proposals in this paper to meet the required growth in qualifications, address the necessary improvements in workforce participation and contribute to productivity enhancing skills is estimated at an additional \$310 million each year when they are fully taken up.

We argue that governments will need to shoulder the major responsibility for this commitment. However the individuals and enterprises that most enjoy the returns on training also need to make an investment. This shift will not only enable a long-term response, but also help drive the depth of cultural change that is required.

In fiscal terms the public investment that we recommend is expected to provide longer-term returns to governments. This means that it will more than pay for itself.

The Productivity Commission estimated, on the basis of 2005 figures, that if Australia were to close the participation gap for each of the labour force groups of working-age men, women, and older Australians in line with the highest-performing comparable OECD countries, then Australia's aggregate participation rate would be boosted to around 69 per cent by 2030. New Zealand and Canada are currently achieving rates of 68.3 per cent and 67.2 per cent respectively, compared to 65.5 per cent in Australia. The high-growth scenario anticipated by Skills Australia in *Australian workforce futures* conforms to this aspiration towards high workforce participation.

We have derived approximate estimates of the income and fiscal benefits of participation increases on the methodology of the Productivity Commission.³⁶ Preliminary estimates suggest that our recommendations could increase employment and output by 6 per cent by 2025, and raise the operating balances of Australian governments by as much as \$24 billion (2005–06 dollars) each year.

However, even heavily discounting for very considerable margins of error, the estimated additional costs each year to governments of the order of \$310 million accumulating (which does not take account of proposed offsets from increased additional contributions from individuals and enterprises) are enormously outweighed by the projected fiscal benefits. Clearly, this represents a very good return to governments on their share of the extra funding, and an even better rate of return to the economy as a whole.

³⁶ The projected increase in the workforce participation rate to 69 per cent in 2025 compares with a rate of 64 per cent in that year, as projected by Treasury on the basis of a continuation of present trends and policies. The increase of five percentage points is equivalent to an 8 per cent increase in participation. The Productivity Commission assumes that an 8 per cent increase in participation translates into a 6 per cent increase in output, because it conservatively assumes that the extra workers have less than average productivity. While we have retained this conservative assumption, it is debatable if those additional workers are replacing other lower skilled workers who are moving up the skills ladder as is projected in the Open Doors scenario through a significant increase in skills deepening. An alternative interpretation would be that the extra education and training and workforce development initiatives proposed will lead to an increase in productivity that at least equals any loss of productivity through engaging more people who are relatively less skilled.

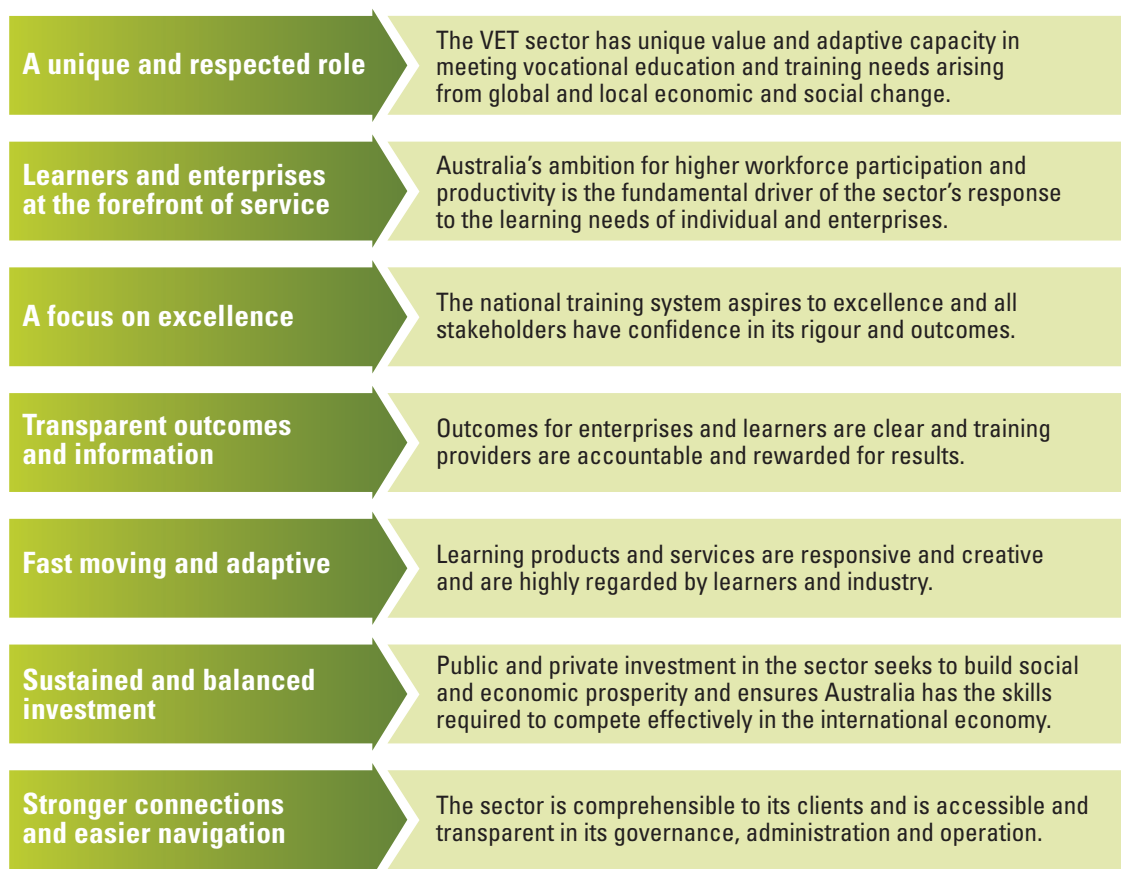


1.9 A vision and principles for the sector's development

We contend that a number of transformative shifts are essential to position the sector to better meet the workforce challenges of the next decade. In our discussion paper³⁷ we outlined some of the strengths and weaknesses of the VET sector. Our consultations generally confirmed this analysis and reinforced the need for change in a number of areas.

These principles for reform outlined in Figure 1.1 are interdependent; together, they will deliver more responsive, higher-quality services and better returns on the increased investment proposed.

Figure 1.1 Principles for the VET sector's development



To achieve the outcome we see as essential for Australia's future prosperity, that is, a dynamic economy capable of innovation and adaptation, we consider it is time for all governments to commit to a reinvigorated future for the VET sector.

Australian governments' agreement to the package of reforms outlined in this paper, as a feature of the next intergovernmental resource agreement, will demonstrate a renewed vision for, and commitment to, the sector's development. This vision is represented in Figure 1.2.

37 Skills Australia, *Creating a future direction for Australian vocational education and training*, p.7

1.10 Strategic outcomes of the sector for 2025

VET is not the only driver of change to achieve our vision of social and economic prosperity for Australia. However this report argues that VET has the potential to be a powerful contributor to the creation of outcomes that will realise the vision for more highly skilled individuals, innovative and productive enterprises and inclusive communities as we move towards 2025.

To position Australia among the top ten OECD performers for skills acquisition, innovation and social inclusion, the VET sector will contribute to:

- an increase in participation in vocational learning, acquisition of deeper level of skills by individuals and improved qualification outcomes
- an increase in skills use and innovation by enterprises
- an increase in workforce participation and social inclusion in communities.

1.11 Indicators of success

We acknowledge the outcomes and targets established by COAG. We propose the following performance indicators underpinning our reform package to measure the sector's progress on outcomes for individuals, enterprises and communities by 2025.

For individuals

- A 3 per cent growth in VET qualifications per annum underpinned by:
 - an increase in course completion rates from current levels of an estimated national average of approximately 27 per cent³⁸ to 70 per cent, including training package skill sets
 - an increase in module completion rates from current levels of 79 per cent³⁹ to 85 per cent
 - an increase in the proportion of low SES students achieving qualification completions at Certificate IV and above from 12 per cent⁴⁰ to 20 per cent while at least maintaining current participation rates of low SES in all courses
- An increase in the proportion of the 15 to 64 year old population with the literacy and numeracy levels required to meet the demands of work and life in modern economies, (levels 3 and above) from 57 per cent in 2006⁴¹ to 65 per cent by 2020,⁴² and further increases by 2025

38 Mark K and Karmel T (2010), *The likelihood of completing a VET qualification*, NCVET

39 Learned J (2010), *Measures of success: can we predict module-completion rates*, NCVET

40 NCVET VET collection Course completions 2006–9

41 COAG (2009), *National agreement for skills and workforce development: baseline performance report for 2009*, p.46 indicates that 56.5% of Australians aged 15–64 had literacy levels at Level 3, 4 or 5 of the 2006 Adult Literacy and Lifeskills Survey (ALLS).

42 Benchmark based on NZ increase of 8 percentage points in 10 years from 1996–2006.



For enterprises

- A reduction in firms' underutilisation of skills, from 41 per cent to 36 per cent⁴³
- An increase in the percentage of firms undertaking process, technology or organisational innovations each year from 40 per cent⁴⁴ to 52 per cent (the European Union average⁴⁵)

For communities

- An increase in the workforce participation rate from 65 per cent in 2009 to 69 per cent, and a particular focus on lifting participation for the following three groups to levels comparable to those in OECD countries:
 - working age men (25 to 64 years) in comparison to 90 per cent in New Zealand
 - women (especially 25 to 34 years) in comparison to 81 per cent in Canada
 - older Australians (55 to 64 years) in comparison 73 per cent in New Zealand
- A reduction in the labour force underutilisation rate by 0.5 per cent per annum from 11.8 per cent at September 2010

Developing additional measures

In some instances work needs to be done to establish measures so that baseline and progressive data can be attained. We propose that the following developments be in place by 2013:

- measures to provide baseline and progressive data on the characteristics of the VET workforce, the number of qualified staff and access to professional development by all practitioners, full time, part time and casual
- measures to provide baseline and progressive data on VET provider community engagement and workforce development services
- measures to provide baseline and progressive data on the proportion of firms undertaking workforce development planning and strategies
- a national code to identify skill sets and measure take-up and completions
- a unique student identifier to measure pathways to higher-level learning, including pathways from pre-vocational programs to certificate programs and from skill sets to qualifications
- options for VET's contribution to social inclusion to be developed, including developing baseline data.

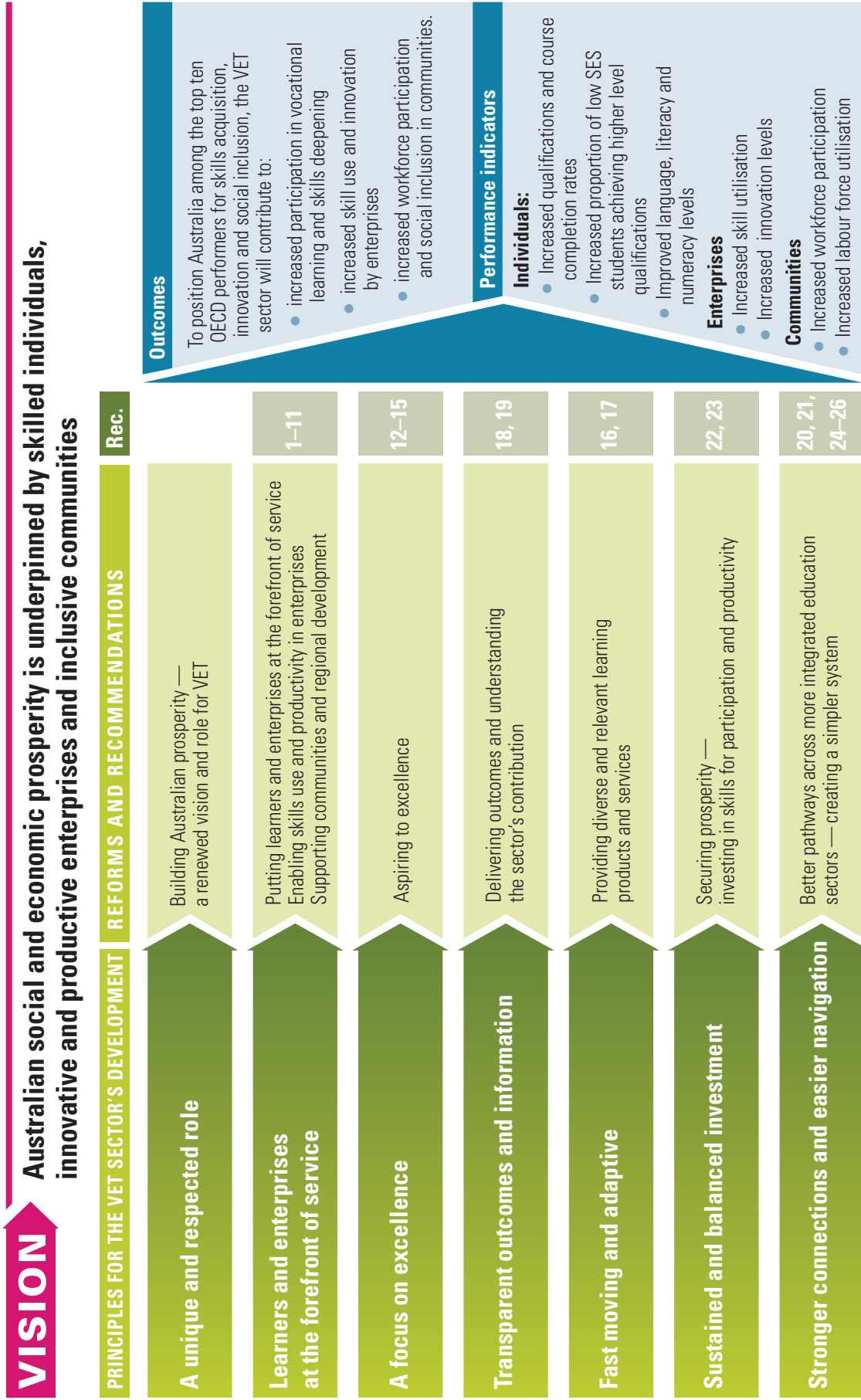
43 The Household, Income and Labour Dynamics in Australia (HILDA) survey which has been underway since the early 2000s, asks individual employees about use of their skills at their workplace. Analysis by Mavromaras et al. found that that 'over 11 per cent of employees were found to be severely over-skilled, a further 30 per cent were found to be moderately over-skilled and the rest well-matched' in the period 2001 to 2006. For more discussion, see *Background Paper Two, Powering the workplace*, pp. 10–11, at www.skillsaustralia.gov.au

44 Australian Bureau of Statistics, *Innovation in Australian Business 2008–9: Key measures of innovation* Catalogue 8158.0

45 European Union, *Community Innovation Statistics 2008*



Figure 1.2 Achieving the renewed vision for the VET sector



2 Putting learners and enterprises at the forefront of service

The clear purpose of the VET sector over the coming decade is to meet demands for the additional skills that will be required to tackle economic and demographic change. Skills Australia believes that centralised planning has proved less than effective in addressing these changes and supports the extension of demand-based funding, with its emphasis on individual student and enterprise choice, to address them. The sector also has a leading role in improving workforce participation and meeting industry requirements for better skills use and enhanced productivity.

In this section we put forward proposals for a more unified national approach to VET sector resourcing as part of the next intergovernmental agreement. They include:

- the introduction of individual and enterprise demand-based funding
- an agreed individual entitlement in vocational certificates up to Certificate III and all foundation skills courses
- the management of risk through the use of caps and incentives based on occupations in the Specialised Occupations List, the introduction of tougher regulatory provisions and extension of improved public information about the performance of registered training organisations (RTOs).

2.1 Complexity undermines purpose

The way the VET sector is currently financed, structured and organised is overly complex. This complexity stands in the way of the sector's greater effectiveness, improved responsiveness and the promise of real change gaining traction. Stakeholders have commented that the needs of learners and enterprises are often obscured in the detail of programmatic responses, funding accountabilities, overlapping governance structures, competing solutions and unclear outcomes.

Individual and enterprise eligibility for public funding or incentives may vary from state to state and from sector to sector. Industry has consistently identified the complexities of resourcing in the VET sector as the major blockage to a responsive national system.⁴⁶ The OECD pointed out the widely varying Australian treatment of fees and diverse program and funding models across jurisdictions in its international comparative review of vocational education and training.⁴⁷

Training providers have also complained about the many models, varying pricing regimes, lack of transparency and inconsistencies in program funding rationales in place across states and territories. A number of submissions have remarked on the unreliable nature of program funding and the impact this has on sustained responses to enterprise, community and industry needs.⁴⁸

Accelerating the VET sector's responsiveness to individual, industry and enterprise demands for skills and workforce development requires a renewed commitment on the part of governments to overcome the currently disjointed models and their staggered implementation. A more joined-up national effort is needed in funding design as well as clear and concerted messages to individuals and enterprises about publicly subsidised opportunities for upskilling.

We see that a simple premise lies at the heart of the solution. We contend that learners and enterprises must be at the forefront of the system, in terms of funding and service design.

46 Joint Industry Skills Councils submission

47 Hoeckel, K (2009), *Learning for jobs- the OECD policy review of vocational education and training* OECD, p.18

48 See for instance, Co-operative Learning and Eurobodalla Adult Learning Centre submissions. The issue was also raised in several confidential submissions.

2.2 Stimulating individual and enterprise demand for skills

Skills Australia sees that changes in the VET sector need to occur on both the demand and supply side of the system.

On the demand side, this means shifting the way funding is allocated by introducing both individual and enterprise-driven purchasing of training. Many of these developments are underway already to varying degrees in some states and territories. We believe new national impetus is required to overcome the current fragmented and incremental approach.

On the supply side, it will mean better connections at the local level so all possible resources are well harnessed. Importantly, this will require much better links with industry and enterprises, so the benefit of newly acquired skills can be realised in the workplace. Supply-side proposals are outlined in section 4.

Public policy has long recognised that removing as many barriers to educational participation as possible is a way to boost the level of skills. In response to the Bradley review, the Australian Government has made a substantial commitment to increasing participation in higher education through the establishment of entitlement funding. Now, in both the school and higher education sectors, public funding follows students' choice. Across jurisdictions, changes have been underway for some time, at varying speeds, to put the VET sector on a similar footing.

The way public subsidies for training are used to overcome the cost barriers experienced by individuals and enterprises is increasingly a focus in the VET sector. COAG in 2009 agreed to a Youth Compact through the National Partnership on Youth Attainment and Transitions, which introduced an entitlement to a training place for young people aged 15–24.

By demand-based or demand-led funding, we mean a method whereby public VET funds are available to individual students or individual enterprises to use at a training provider of their choice. This is in contrast to traditional planning and purchasing models, where public funding is allocated directly to public and private providers by governments as purchasers of training. Providers then recruit students to a program offer which they have developed. Demand-based models, as noted by Richardson and Teese, are by their very nature more competitive than planning and purchasing models. The competition works to drive up enrolments, with pressure on providers to be innovative in their responsiveness to local needs.⁴⁹

We take the term 'student entitlement' to mean a system whereby individual students are ensured a publicly funded place in a VET program. International case studies suggest that such an entitlement can be structured and funded in various ways.⁵⁰ Governments may choose to ration, cap or provide incentives related to an entitlement to underpin social and economic outcomes, perhaps by the level of the qualification, or by the vocational area in which it can be used. Student entitlements may be publicly subsidised either fully or partially. These parameters can have an impact on the level of individual choice of training course and training provider and hence on the competitiveness among service providers to deliver services.

The term 'entitlement' is now often used as an alternative term for demand-based. In this report, however, a student entitlement system is assumed also to be demand-based where the resources are allocated on the basis of student choice rather than directly to the provider.

49 Richardson, S and Teese, R (2008) *A well skilled future*, p.8

50 West, A, Sparkes, J and Balabanov, T (2000) *Demand-side financing — focusing on vouchers in post-compulsory education and training: discussion paper and case studies*, European Centre for Developing Vocational Training (CEDEFOP)



The role of government—managing risk in a demand-based model

Nationally and internationally there has been a shift in public policy to more demand-driven and competitive models of public service provision.⁵¹ In Australia these changes commenced in the 1980s. They were articulated in national competition policy and intergovernmental agreements (following the Hilmer report) and realised through a range of micro-economic reforms that affected both the public and private sectors. In the public sector, it involved government stepping back from directly delivering all services and the emergence of increased contracting or privatisation of services, especially of public utilities.

This has been mirrored in changes to make education and training systems more responsive to labour market changes and individual demands through more user-oriented delivery and funding.⁵² The landmark change in this direction for the VET sector was undertaken under the auspices of the Australian National Training Authority, following the Fitzgerald review in 1994. This review argued the case for the introduction of greater choice by individuals of training provider and the opening up of a training market to stimulate increased opportunity and flexibility for the take-up of training.⁵³

Some still question the role of competition in the VET sector and the manner in which it might be best implemented. This cross-section of views is evident in a recent NCVET forum on the topic. Concerns about the expansion of the training market centred around managing the risks of market failure—particularly in terms of information, quality of services and the role of the public provider.⁵⁴

The Productivity Commission's review of Australian competition policy reforms found they had had overall positive impacts, including in the areas of service innovation, responsiveness and choice for users. The review outlined considerations for further reforms, including those for human services delivery.⁵⁵

A recent New Zealand review of international case studies noted there is no single best practice model of how demand-oriented models are introduced. Case studies indicate that governments have introduced various methods of decentralisation and control to manage risks, but common features include:

a shift from planning for static institutional models to strategic planning for dynamic market models. It also outlines a change in focus, moving from providers (primarily public institutions) to clients, students/learners, employers and governments as consumers of education, and principal beneficiaries of educational outputs.⁵⁶

At state level there has been a move away from purchaser–provider funding based on course profile planning. Victoria has introduced demand-led funding for the sector, moving to an entitlement model—one that guarantees a training place—where funding follows the student to whichever course and provider they choose. South Australia has announced a policy to follow a

51 Lundsgaard, J (2002) 'Competition and efficiency in publicly funded services', *OECD Economic Studies*, No.35, 2002/2; Le Grand, J (2009) 'Knights and knaves return: motivation and the delivery of public services', *International public management journal*, 13 (1) pp 56–71

52 West, Sparkes and Balabanov *Demand-side financing – focusing on vouchers in post-compulsory education and training*

53 Allen Consulting Group (1994) *Successful reform: competitive skills for Australians and Australian enterprises*, Australian National Training Authority

54 Karmel, T, Beddie, F and Dawe, S (2009) *Competition in the training market*, NCVET

55 Productivity Commission (2005) *Review of national competition policy reforms*

56 Gladkikh, O(2009) International investment models for tertiary education New Zealand Tertiary Education Commission, Strategic Information and Evidence Directorate, accessed at: <http://www.tec.govt.nz/Documents/Publications/international-investment.pdf>

similar model, with specific state-defined parameters.⁵⁷ These developments, it could be argued, are further complicating an already complex funding environment for both users and providers. Hence our proposals for an intergovernmental agreement to settle on a more comprehensive approach that is driven nationally and systematically.

Stakeholder views and caveats

A broad cross-section of submissions⁵⁸ and views heard at consultations affirmed the introduction of entitlement-based funding models. A number of providers expressed the view that an entitlement-based funding system creates a more level playing field and potentially simpler accountability in public funding, as opposed to multiple, often overlapping program-based initiatives.

However, stakeholders cautioned that protections must be in place to safeguard the interests of disadvantaged learners and of enterprises and that rigorous regulation must support any such system. Many saw the positives for both learners and enterprises of wider choice and increased support from governments from more broadly applied public subsidies that students can use at a training provider of their choice that has the greatest appeal or convenience.

Using up all or a portion of a training entitlement based on their own decisions is motivating for individuals and should lead to higher completion rates. RTOs would also have to operate effectively to convince the learner that they were getting value for their money.

| *Business Services Industry Skills Board SA submission*

We are proposing moving both individual and enterprise funding to a demand-based approach. By putting individuals and enterprises firmly at the forefront of reforms, this would signal governments' intention to support learners and employers to enjoy the personal and public benefits that come from higher qualification and skill levels and better skill use.

The challenge is to put the underpinning mechanisms in place to ensure the system is established in a way that addresses the important issues of equity, quality and good information.

The point is to make it work at an optimal level by combining a strong institutional framework with fully empowered and informed consumers and measures to prevent the disadvantaged from being excluded.⁵⁹

It is also important to avoid perverse outcomes or market failure, especially in rural and regional areas, and poor quality delivery. There are lessons to be gleaned from previous experience and evaluations.⁶⁰ Anderson, in a review of the impacts of user-choice funding in the VET sector, found that it had led to greater choice, diversity, flexibility and innovation. The results were mixed in terms of responsiveness, being positive for large enterprises but less so for small and medium sized ones. He concluded the results in terms of quality, access and equity and efficiency were broadly negative.⁶¹

57 South Australian Government (2011) *Skills for all*, accessed at <http://www.dfeest.sa.gov.au>

58 For example, Master Builders Association; Ee-Oz Training Standards; Adult Learning Australia; Co-operative Learning Limited

59 The Hon Julia Gillard, MP (2008) Speech, Australian Council of Private Education and Training 2008 National Conference

60 Selby Smith, C (2005), *User choice resourcing arrangements in Australia in March 2004*, Working Paper No. 57, CEET, Monash University, Melbourne; Selby Smith, C (2005) *Analysis of user choice resourcing arrangements in March 2004*, Working Paper No. 58, CEET, Monash University, Melbourne

61 Anderson, D (2006), *Trading places: the impact and outcomes of market reform in vocational education and training*, NCVER



Karmel outlines a series of considerations that are central to a comprehensive policy platform for demand-driven funding models, including:

- having clear goals—that is, ensuring the right balance between the needs of individuals and of enterprises
- the role of planning and information in supporting individuals and enterprise choice
- clarity about the parameters for eligibility for government subsidy
- consideration of the role and treatment of public providers
- the parameters of regulation of quality and protection of public interests
- the scope and scale of provision of information about courses and providers.⁶²

In our recommendations we have been careful to address these concerns. There is discussion in sections 5 and 6, of the necessary reforms to the VET regulatory framework, including improved information systems and the need for eligibility requirements to become a provider of a publicly subsidised entitlement place. We argue that more effective regulation has to be in place before the student entitlement system is generally extended. Providers will have to meet higher standards before they can receive public funds. We detail a broad range of measures to support and encourage disadvantaged students. We argue for a defined role and base funding for the public provider to ensure it can meet its broader community service obligations and for greater support for VET teachers and trainers. We argue for a simpler demand-based system involving a student entitlement rather than the time-consuming tendering systems that characterised earlier competitive purchaser–provider models.

2.3 Overview of the proposed individual entitlement system

Full subsidy for lower-level qualifications

We recommend that the following funding approaches are uniformly introduced across jurisdictions to address the skills needs of individuals so public funding and services are more consistently and directly responsive to the client:

- individual entitlements to fully publicly subsidised training places up to and including Certificate III vocational courses and all foundation skills programs, and
- entitlement to a partially subsidised training places for Certificate IV and above supported by income-contingent loans (discussed in section 9).

We also recommend the introduction of enterprise-responsive funding, led by industry advice. We propose the integration of several existing employer-linked Australian Government funding streams. (New industry advisory arrangements and scaled contributions by enterprises are outlined in section 3.)

In introducing an individual entitlement to a publicly funded place, we must first address the nature of the entitlement to training and who is eligible for it.

62 Karmel, T, in *Competition in the training market*

We are cognisant of the distinctive role the sector plays in serving the needs of a very diverse student profile, including the opportunity for ‘second chance’ learning for disadvantaged groups and individuals. It is vital that this feature of the VET sector continues to be supported as a central feature of broader participation and productivity objectives.

We are suggesting a ‘targeted’ or prioritised entitlement to a publicly funded training place. The highest proportion of public subsidy should be afforded to those students undertaking lower-level vocational courses up to and including Certificate III. Certificate III is the ‘core’ entry-level vocational qualification delivered by the sector.

Foundation skills programs should also be fully subsidised across all qualification levels up to Certificate IV in recognition that foundation courses are provided across these levels.⁶³

We also propose that an entitlement to a fully subsidised place should not be exhausted by individuals undertaking more than one course, or part of a course, at these levels. Realising an increase in employment participation requires a comprehensive approach to training. It is not just a matter of upgrading the basic employability or entry-level skills of those entering the margin of the labour force. Upskilling throughout career paths will be needed. Furthermore, those further up the skills ladder must also be equipped to move up a rung, thus freeing up the less skilled jobs for those who want to get onto the ladder.

There was quite a negative reaction in consultations and submissions to the principle of funding only the first qualification at a particular level as a means of rationing or prioritising the targeting of public funding. Many remarked that an entitlement funding model should not ‘have the effect of denying access to publicly funded training for those looking to re-enter the workforce, change career, or develop new skills by virtue of the fact they have existing qualifications at that same level’.⁶⁴ The Community Services and Health Industry Skills Council submission noted that the limited eligibility for entitlement to public subsidised courses based on the ‘firstness’ policy had presented a problem for the community services and health industry in Victoria. It further noted that many entrants to this industry sector have qualifications from other industries and are excluded from being reskilled in community services and health through this policy.

Proposal benefits and rationale

The rationale for using the Certificate III (for vocational courses) as the cut-off point for a fully subsidised place is that it is the generally accepted level of vocational proficiency. It is also the qualification level at which the majority of apprenticeship and traineeships are undertaken. In the 12 months to June 2010, there were 192,600 apprenticeship and traineeship commencements at the Certificate III level, compared to 36,200 at Certificate I and II, 57,000 at Certificate IV and 8,200 at diploma and above.⁶⁵ In addition, Certificate III encompasses those qualifications that are the equivalent of a basic secondary education.

A further explanation for offering an entitlement to a publicly subsidised place up to and including Certificate III relates to what Richardson calls the ‘social hierarchy of award participation’.⁶⁶

63 For example, Certificates in Spoken and Written English; Certificates in English as a Second Language; Certificates in General Education for Adults

64 Australian Council of Trade Unions submission

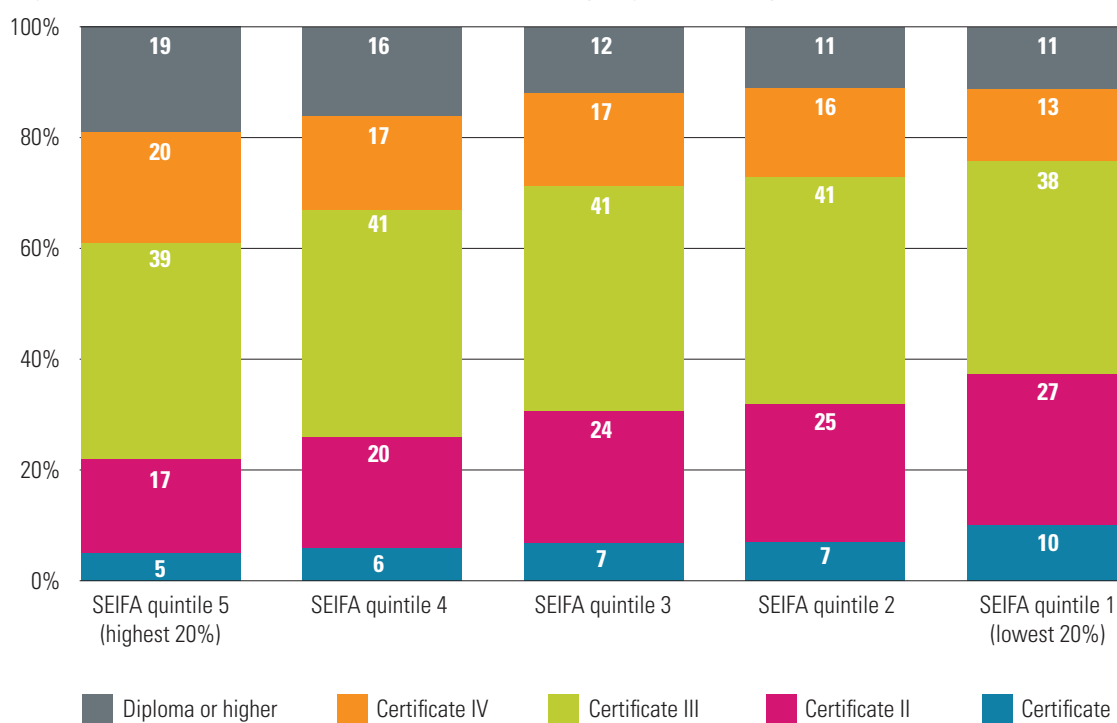
65 NCVER (2010), Historical time series of apprenticeships and traineeships in Australia from 1963, <http://www.ncver.edu.au/publications/2329.html>

66 Richardson and Teese, *A well skilled future*, p.22



When data on participation in vocational education and training is examined by the profile of students, a pattern of social segmentation is evident. Those in the lower socioeconomic quintiles are undertaking lower certificate-level programs, with approximately 25 per cent undertaking programs at Certificate IV and above (see Figure 2.1). This compares with 39 per cent of students in higher socioeconomic quintiles doing programs at this level.

Figure 2.1 Socioeconomic status of students by highest AQF qualification level, 2009



Source: NCVET collection, students 2009

As noted in our discussion paper, this ‘social hierarchy’ association also has a regional dimension. Higher-level studies at Certificate IV and above are a more marked characteristic of those enrolled in major cities, compared to outer regional, remote and very remote areas.⁶⁷ Vocational education and training has a strong presence in Australia’s regions. Approximately 45 per cent of VET students are in regional, rural and remote Australia, compared to 20 per cent of higher education students. It is important to offer the maximum encouragement to potential students from these backgrounds to encourage increased participation.

If Australia is to increase its workforce participation rate, more learners need to be enticed into education and employment through adequately funded innovative programs. This means that government resources need to be redirected to these types of programs and these types of learners.

| *Adult Learning Australia submission*

The sector’s social mandate is best fulfilled through the provision of publicly funded foundation skills training, to develop individual and social capital.

| *Ee-Oz Training Standards submission*

67 Skills Australia, *Australian workforce futures*, p.33

2.4 Managing industry needs and potential risks associated with the proposal

One argument against using Certificate III as a cut-off point for a fully subsidised place is that wage premiums are highly variable for Certificate III outcomes. There are very good returns in some trades but weak returns in others, particularly in female-dominated occupations. Many submissions spoke firmly against any additional costs being transferred to apprentices and trainees. We were persuaded by this point and also felt it was impractical and overly complex to differentiate a training entitlement by program and level. However, the issue of wage returns is discussed further in section 9 as a rationale for developing an income-contingent loan system better suited to the VET system for those undertaking higher-level VET qualifications.

A potential risk with demand-based funding is a mismatch between students' choice of course and industry skill requirements. Concern was expressed, especially by industry stakeholders, about entitlement-based funding leading to potential skills gaps. In arguing for an industry-driven funding system, some claimed that 'the economy cannot be entirely left to the whim of individuals'. The ACTU submission expressed reservations about a student-driven funding model:

If the focus ultimately is to encourage training that leads to jobs and sustainable ongoing employment it is important that training is linked to identified industry skill needs and priorities, as well as equity objectives, and this is what should drive public funding. This means encouraging enrolment and delivery in areas of skill shortage and equity or community development needs.

However, given the relatively weak link between many qualifications that people acquire and where they end up working, we think this risk can be managed. Across the economy more broadly, there is a relatively weak link between the specific qualifications that people acquire and where they end up working. NCVER data for 2007 to 2009 indicates that approximately 40 per cent of VET graduates were working the May after their graduation in the broad occupation group for which they had trained.⁶⁸ In the longer term, more than 40 per cent of the workforce changes their employer every three years, and many people change their industry and occupation.⁶⁹ The relevance of people's first post-school qualification fades as people progress through their careers, often retraining and upskilling along the way.

Richardson and Tan argue that matching the qualifications produced by the education and training system to industry demands is an inexact exercise because it is hard to capture the way employer or individual behaviour collectively shapes the fluid and dynamic way labour markets operate.⁷⁰ In the main, the majority of jobs can be catered for within the overall expansion in qualifications that would be delivered through student-led funding, with improved information on career prospects to guide their choices. However, it will be important to monitor these choices and, if necessary, utilise caps on enrolments or a realignment of incentives to ensure that the extent of skill shortages is reduced.

This consideration underpins our recommendation below relating to entitlements. Recommendation 1 is tempered with the caveat that states and territories intervene through introducing safeguards or stimuli measures, where they assess that there are issues of excess supply and demand, to restrict the choice of particular fields or to provide incentives to enter them.

68 NCVER (2009), *Student outcomes survey, 2007–2009* aggregated, unpublished data obtained by Skills Australia. For further detail see *Australian workforce futures* p.18

69 Australian Bureau of Statistics (2010), *Labour mobility Australia* cat no. 6209.0

70 Richardson, S and Tan, Y (2007), *Forecasting future demands: what we can and cannot know*, NCVER, p.33; see also Academy of the Social Sciences in Australia (2009) *Space and place matter*



The specialised occupations criteria and methodology developed by Skills Australia should serve as the principal framework for such interventions. This methodology targets planning for those qualifications which take a long lead-time to produce and where there is a good occupational fit between the training and job roles. The Specialised Occupations List⁷¹ has been developed using this analysis. It takes industry advice into account and looks in depth at the range of labour market issues affecting the supply and demand for qualifications. According to our analysis related to the Specialised Occupations List, approximately 20 per cent of occupations fall into this category.

The use of the occupations on the list as the basis for the application of state-based caps provides a more comprehensive and evidence-based platform on which to evaluate the need for governments to intervene and direct an entitlement or demand-based system. However there may be some minor exceptions in instances where states and territories experience excessive supply and demand issues, such as in the case of expensive courses or courses that are highly occupationally specific, which warrant very targeted interventions in addition to the use of the list.

To complement the individual learner entitlement, and to directly address identified enterprise workforce development demands, Skills Australia has recommended the introduction of enterprise-responsive funding, as noted above and detailed in section 3. This funding is to be directed to a range of workforce development issues including emerging skills needs as perceived by enterprises. It will also help to directly address skills shortages.

Shared-cost training for higher-level qualifications

There remains the question of the proposed approach for those undertaking vocational qualifications at Certificate IV and above.

We recommend that an entitlement or demand-based approach also be adopted for higher-level courses. However, these courses should be only partially publicly subsidised. A shared model of investment should apply to higher-level qualifications, with students paying course fees and being supported in this by access to income-contingent loans. This is discussed further in section 9 in relation to individual and enterprise co-contributions to training.

Quality of delivery must be assured

Legislation to establish the national VET regulator has been approved, and the Australian Skills Quality Authority (ASQA) will operate from 1 July 2011. This commences a new era of more consistent and coordinated regulatory operations. Our research and consultations have identified that there is much ground still to be covered in further strengthening the sector's quality and information systems. A suite of recommendations to address these issues are covered in detail in sections 5 and 6.

The safeguard of nationally consistent and rigorous regulation, along with reliable information on provider performance, must be in place to minimise the risk of public investment in poor-quality providers and programs. Skills Australia recommends that the national introduction of entitlement funding for vocational education and training proceeds once the strengthened quality and information provisions that we propose are implemented.

71 Skills Australia, *Australian workforce futures*, pp.20–21 and pp. 83–87 outline the criteria and methodology for specialised occupations where planning activity is best targeted

Recommendation 1: Putting learners and enterprises at the forefront of service

That Australian governments agree:

- a) to address the expansion of qualifications needed to meet the workforce participation and productivity challenges Australia faces by the 2020s through the comprehensive introduction of individual and enterprise demand-based funding as a core feature of the next intergovernmental resourcing agreement for the sector
- b) to include in the new financing arrangements for the VET sector an entitlement for individuals to public subsidy on the following basis:
 - for those undertaking vocational courses up to and including Certificate III, and for all foundation courses, this should entail the full public subsidy
 - for those undertaking Certificate IV and above, this should entail partial public subsidy and co-funding between individuals and governments and be supported through an income contingent loan (see recommendation 23a)
 - entitlements to public funding should apply irrespective of whether it is a learner's first or subsequent qualification
 - the national introduction of student and employer demand-based funding should not occur until the quality provisions outlined in recommendations 12e and 13 are in place to ensure quality of delivery is reinforced.
- c) to utilise provisions to exclude, cap or introduce incentives for certain courses of study in alignment with the occupations on the Specialised Occupations List developed by Skills Australia.

2.5 Opening up pathways to learning and work—system changes

As noted above, a number of supply-side changes will need to be introduced to complement the proposals outlined above.

Our discussion paper pointed out that VET's role in social and economic mobility may not be as strong as it could be, and new approaches are needed to boost the completion outcomes, higher-level skills acquisition and employment prospects of people from lower socioeconomic backgrounds. Figure 2.1 and other research shows that disadvantaged learners are under-represented in higher-level VET courses, and completion levels are lower.⁷² Achieving improved outcomes for disadvantaged learners so they can progress successfully along pathways to higher-level qualifications will require comprehensive action including:

- acknowledging the costs to institutions of the more intensive outreach and engagement strategies, individualised delivery or content, or direct support, required for such students, as discussed in sections 4 and 9
- collaboration between training and employment service providers and development of more integrated services and place-based responses discussed in section 4
- removal of individual financial barriers, discussed below.

72 Foley, P (2007), *The socio-economic status of vocational education and training students in Australia*, NCVET, Adelaide; Wheelahan, L (2009), 'What kind of access does VET provide to higher education for low SES students? Not a lot', National Centre for Student Equity in Higher Education Launch & Forum, University of South Australia, 25–26 February; Watson, I (2009), *SES background of VET students compared with university students: a report to Skills Australia*, Skills Australia



Income support

VET students do not have access to the same financial assistance as higher education students, thus further impacting on efforts to improve access for and engagement of disadvantaged learners.

The Student Start-Up Scholarship of \$1,097 per six months of eligible study is currently only available to full-time students who are undertaking an approved course at a higher education institution and receiving Youth Allowance, Austudy or Abstudy. This produces an equity issue, particularly in dual-sector institutions where a group of students may be accessing the same facilities and services on campus but receiving different support depending on whether they have taken a VET or higher education pathway.

The purpose of the Student Start-Up Scholarship is to 'help with the up-front costs of studying, such as textbooks and specialised equipment' for higher education students.⁷³ A 2004 survey of TAFE students noted that 'TAFE study costs were amongst the most important factors influencing decisions about whether or not to study at TAFE'. Furthermore, it revealed total average up-front costs for full-time TAFE students were around \$608 per semester (\$723 in 2010 dollars).⁷⁴ Ameliorating this barrier of up-front expense through extending the Student Start-Up Scholarship to VET students could encourage greater participation by those from low-SES backgrounds.

We propose that the Student Start-Up Scholarship be extended to VET students. We further propose that there be a review of the rules governing access to ensure that those who are most disadvantaged are able to access support, including those who might not be studying full time.

The discussion paper found that about a third of full-time VET students receive income support, much the same as the proportion of full-time higher education students. Responses to the discussion paper, such as the submission from the Arts Communications Finance Industries and Property Services Limited (ITAB), highlight that 'there is evidence which shows that income support is inadequate'. Because the socioeconomic background of VET students is on average considerably lower than that of higher education students, it might be expected that a higher percentage of VET students than higher education students should be receiving assistance. A factor affecting the proportion of VET students receiving assistance is that those from the lowest socioeconomic background are under-represented in higher-level courses, which are more often taken full time.

The Review of Australian Higher Education recommended a triennial review of the income support system to assess the overall effectiveness of support payments in reducing financial barriers to participation of students in need.⁷⁵ Skills Australia supports this recommendation, noting the particular importance of an effective income support system for the relatively high proportion of low-SES students in the VET sector.

Recommendation 2: Student financial assistance

That the Australian Government agree, to ensure equity for students across VET and higher education and to increase access to VET for disadvantaged learners, that Student Start-Up Scholarships be extended to VET students on Youth Allowance, Austudy and Abstudy and that the rules governing access be reviewed to ensure those who are most disadvantaged can access the support.

73 Centrelink (2011), 'Student Start-Up Scholarship', http://www.centrelink.gov.au/internet/internet.nsf/payments/start_up_scholarship.htm accessed 8 March 2011

74 DEST (2004), *The effect of study costs on decisions to study at TAFE*

75 Australian Government (2008), *Review of Australian higher education: Final report*, recommendation 6

3 Enabling skills use and productivity in enterprises

Skills Australia and others contend that simply producing a broad-based expansion in qualifications will not be enough to drive the increased workforce participation and productivity Australia requires.⁷⁶ A new engagement with enterprises and learners by the whole of the VET sector is needed if substantial participation, productivity and innovation enhancements are to be achieved. We propose a broader focus on workforce development and skills use, rather than a more traditional focus simply on training and skills formation. In order to achieve this we recommend four industry-driven reforms:

- amalgamation of a range of enterprise-linked funding programs into a new industry-driven funding program for workforce development
- establishment of an industry-led advisory body to guide the new funding program
- redesign of the apprenticeship model and employer incentives to stimulate a broader focus on workforce development, to be brought under the auspices of the new funding program and advisory body
- simplification and redesign of services for employers, apprentices and trainees, to be brought under the auspices of the new funding program and advisory body.

In section 2 we proposed moving individual and enterprise funding to a demand-based approach. In this section, we detail the proposals for an industry-driven fund to encourage approaches to workforce development and also reduce the risk of a possible mismatch between student choices and industry skills requirements.

3.1 Stimulating demand for skills at the enterprise level

The object of the enterprise funding stream is to improve the connection between enterprise workforce development needs and the provision and development of skills.

Workforce development is concerned with the factors that encourage both skills formation and skills use. It therefore encompasses activities beyond education and training. As discussed in more detail below, it also includes skills utilisation strategies, the delivery of which includes job design, employee participation, skills audits, and knowledge transfer. Management and supervision are also often raised in the context of skills utilisation.

We have defined workforce development as:

those policies and practices which support people to participate effectively in the workforce and to develop and apply skills in a workplace context, where learning translates into positive outcomes for enterprises, the wider community and for individuals throughout their working lives.⁷⁷

76 Skills Australia (2009) *Workforce Futures: Powering the workplace — realising Australia's skill potential*, Background Paper 2, p.6

77 Skills Australia, *Australian workforce futures*, p.7



Newly acquired and existing skills must be used if they are to make a difference to individual job satisfaction, enterprise-level efficiency and the broader economy. This focus on and interest in workforce development has resonated strongly across all stakeholders in our recent consultations:

[W]ithout equal effort applied to skills utilisation and workforce development (and understanding that they sit alongside training in a continuum) qualifications alone will continue to deliver sub-optimal outcomes to the individual, enterprise and government.

| *Joint Industry Skills Councils submission*

Arundel argues for the importance of adaptive capacity in the skills base of the Australian workforce—broad-based skills and knowledge that can adjust rapidly to changing patterns and pressures in the economy and the new technologies that are being applied to production.⁷⁸

Richardson proposes that a well-skilled future is one where:

enterprises are encouraged to use sophisticated, high-productivity strategies, confident they can find the necessary high-quality workforce to match. It is also one where the latent productive talents of the potential workforce are realised. It is one where enterprises and the formal education system each plays their part in the development of worker skills.⁷⁹

Skills Australia proposes the enterprise responsive funding scheme outlined below, in tandem with the student entitlement model outlined in section 2, should help achieve this well-skilled future.

3.2 Industry leading workforce development and better use of skills

We propose extensive reforms in the way VET is organised and financed to achieve a stronger focus on workforce development. At the centre of our proposal is a shift towards industry-driven reform. Our proposals are backed by consultation findings, draw on existing successful initiatives, and include financing options based on program amalgamation and simplification. The evidence supports our proposed approach: reform of vocational education and training to better integrate with business developments within firms has been identified as a cornerstone for improving enterprise productivity and lifting Australia from its sluggish middle-ranking position as an innovative country.⁸⁰

Currently, the Australian Government and state and territory governments have a plethora of programs aimed at subsidising training and related support in enterprises both for new entrants and existing workers. The Commonwealth, in particular, has made substantial investments within national agreements with states and territories. It also commits well over \$1 billion annually that is specifically focused on workplaces through its support for employer and learner incentives and marketing of the apprenticeship system. Other programs such as workplace language and literacy also funded by the Commonwealth sit outside, and are additional to, the national agreements.

Skills Australia recommends that a far stronger targeting of workforce development be leveraged from these existing funding arrangements.

78 Arundel, A (2011) *Skills for an innovative Australia to 2025*, Skills Australia and Academy of the Social Sciences in Australia (ASSA) Joint Scenario Development Forum, February 7, 2011, Sydney

79 Richardson and Teese, *A well skilled future*, p. 7

80 Green, R (2009) *Management matters in Australia: just how productive are we?*

Many contributors to this review have argued that one way forward is to shift public funding away from direct allocations to training providers and move it to subsidising workforce development managed by industry. This would drive the process by enabling groups of firms or intermediaries to become more directly engaged, and to gain substantial momentum on workforce development.

Industry submissions strongly asserted the need for the revival of an industry-driven training system. They argued for the re-orientation of the system to counteract the perceived diminishing role of industry in the national training system.

...the role of industry has been diminished in recent years. Key to the future direction of Australian vocational education and training must be the centrality of industry in a national system.

| *Australian Industry Group submission*

Over the last five years, industry's role has been progressively weakened across the system's governance and architecture to the point where industry holds limited determinative powers at critical junctures and despite being a major co-investor.

| *Joint Industry Skills Councils submission*

Industry wants to drive funding decisions to avoid what they perceive as supply-side or 'provider-driven' training solutions, which may not address the breadth of an enterprise's organisational context. This is not at all to discount the role that VET practitioners have in enterprise-responsive training. Both industry and enterprise submissions see RTOs as an essential source of professional expertise, a fertile resource and a catalytic partner in enterprise-focused training and workforce development initiatives.

Submissions argued that providers would be encouraged to take on a workforce development role through the use of market mechanisms and purchasing power and that the channelling of funding directly to enterprises would stimulate demand for this. Genuine partnerships between firms and providers must flourish if strong links between skills and enterprise productivity agendas are to grow.

Allocation of funds to enterprise initiatives would help to create demand for training services and promote effective use of skills in the workplace. However, we do not propose that government funding should replace enterprise investment in its workforce. We propose three essential requirements in order to receive this funding: robust workforce development plans linked to business or industry plans; co-contributions from enterprises, according to their capacity to pay and government priorities; and all training funded through public subsidy to be accredited.

Section 3.3 outlines some successful, industry-driven programs that are stimulating workforce development. After looking at some examples, we outline the detail of our proposal, including financing options.

3.3 Increasing the momentum on better skills use and workforce development

Skills utilisation is a core element of workforce development. It recognises the way that workplace, industry, regional and labour market conditions influence the take-up and deployment of skills at work. Skills Australia's analysis of successful workforce development approaches shows activities extend well beyond traditional notions of education, training and skills development.⁸¹

81 Skills Australia, *Workforce futures: Powering the workplace — realising Australia's skill potential*



Our earlier work found many examples of excellent, innovative workforce development programs and services across the country. Varying approaches have enabled experimentation in this emerging area and examination of the effectiveness of different models of workforce development. There are a number of models of facilitation of workforce development that work at, and beyond, the enterprise level:

- *Enterprise-specific programs*, such as Victoria's Skills for Growth⁸² has enterprise-determined and customised requirements that involve addressing skills, and their improved use in the context of organisational, human resources and technological developments, both within the firm and within local supply chains. The Department of Innovation, Industry, Science and Research's Enterprise Connect program offers enterprises a comprehensive business review of their internal capability, including the role of skills.⁸³
- *Industry sector-specific programs*, such as the initiatives of Health Workforce Australia and the Community Services and Health Industry Skills Council, which aim to address underlying challenges in supply and demand for occupations confronting a whole industry.
- *Occupational-focused programs*, such as those administered by the Australian National Engineering Taskforce, which bring together organisations and professional associations from a particular occupation to create a national strategy for the development of their current and future workforce.
- *Regional-focused programs*, such as those undertaken by Regional Development Australia and organisations like the Whyalla Economic Development Board, which support the delivery of workforce development programs to ensure local businesses have an appropriately skilled workforce.
- *Hybrid region/industry/employer programs*, such as the Queensland Skills Formation Strategy, which provide an opportunity for industries and communities to work collaboratively to analyse and address workforce issues that may affect their collective interests and future viability. These strategies focus on issues best tackled through combined efforts, rather than by individual enterprises.
- *Labour-market oriented/intermediary programs*, such as those provided by Job Services Australia providers and by community-based organisations such as the Brotherhood of St Laurence, which aim to help job seekers realise long-term job outcomes by linking education and training services to workplace interaction and the experience of the real workplace.

Most of the work being undertaken across the VET system on workforce development is embryonic, and requires a scaled-up and coordinated approach if further traction is to be gained in this area. Skills Australia has concluded that for transformative action on workforce development to occur on a large scale across Australian enterprises, and for the VET sector to be an enabler of this, a significant redesign of current service delivery and funding arrangements is necessary. Taking the agenda forward will require a shift at a systemic level so these become part of 'business as usual' for far more enterprises and providers.

82 Victorian Government, *Skills for growth – About the program*, accessed at: http://www.business.vic.gov.au/BUSVIC/STANDARD/PC_63495.html

83 A Department of Innovation, Industry, Science and Research (DIISR) program that targets small and medium enterprises, accessed at: www.enterpriseconnect.gov.au. In *Australian workforce futures*, Skills Australia recommended the expansion of Enterprise Connect, currently a small program reaching only 1,500 firms, mainly in manufacturing and to a smaller extent in four other industries.

3.4 Proposal for an Enterprise Skills Investment Fund

To create the quantum shift required, we propose the amalgamation of a range of existing Australian government enterprise-linked funding streams into an 'Enterprise Skills Investment Fund'. The allocation of the existing worker proportion of the Productivity Places Program directly to enterprise workforce development initiatives is recommended as the core component of the fund. Here we discuss how an enterprise-responsive funding stream might be designed and its elements refocused to enable improved skills use and workforce development outcomes. Second, we outline financing options for the new fund.

Building on existing models for an enterprise-responsive funding stream

Our proposal design draws on two existing enterprise-linked programs: the Critical Skills Investment Fund and the Enterprise Based Productivity Places Program. There are some features of these programs that could inform a larger, enterprise responsive funding program.

The Critical Skills Investment Fund

The Critical Skills Investment Fund provides a model for an enterprise-responsive stream of funding. The program is based on a partnership model and a consortium approach that must involve an enterprise or groups of enterprises. Service requirements are enterprise defined and designed. RTOs cannot be the nominated lead organisations in order to ensure that the program is enterprise driven.

At the core of the model is the allocation of funding to the enterprise or to enterprise initiatives.

The fund is initially targeted to the resources, construction, renewable energy and infrastructure sectors. Australian Government funding is in the form of one-off grants that support innovative training to rapidly expand the workforce capacity of enterprises.

The program is administered through competitive expression of interest tendering and funding advice from the fund's Advisory Board, comprising seven external members with relevant expertise in employment, training, labour market and skills development appointed by the Minister for Tertiary Education, Skills, Jobs and Workplace Relations. Total funding of \$200 million is available over four years from 2010–11 until 2013–14, with scaled co-contributions of 10 per cent to 50 per cent from enterprises based on their workforce size.

A condition for funding is that a 'project workforce plan' is in place. While this is a welcome inclusion, in the implementation of an enterprise-responsive stream of funding Skills Australia would like to see the concept of the project workforce plan extended to incorporate wider workforce development objectives. For example, there should be a requirement for a skills audit to take place as well as a plan of how enterprises intend to implement the skills developed. This might be through changed job design, employee engagement activities, knowledge transfer, or other actions relevant to them.

We see potential for this dedicated program to be folded in and work under the umbrella of the proposed 'Enterprise Skills Investment Fund'. Lessons from its implementation could help provide the groundwork for the expansion of a more comprehensive model based on the inclusion of the funding streams noted below.



The Enterprise Based Productivity Places Program

The Australian Government's policy document *Skilling Australia for the future* envisaged an extended role for industry skills councils in the Productivity Places Program beyond their usual role of industry trend analysis, labour market intelligence and advice. That document proposed they would work closely with firms, conduct training needs analysis, advise enterprises on the linkage between skills and productivity from a holistic enterprise perspective, and broker training solutions. The role is described as:

examination of the skills of current employees, the current work of the enterprise and its areas of potential expansion. Through the training needs analysis, an ISC can identify how an enterprise can improve its productivity by upskilling its current employees, identifying what kind of additional training is required to give employees the skills they need and the ability to improve their performance and that of the enterprise.⁸⁴

This intended role for industry skills councils eventually unfolded with the introduction of the \$25 million Enterprise Based Productivity Places Program, managed through the industry skills councils. The councils play a central coordination role, with responsibility for implementing and monitoring the program, promoting the program within their industry and working with enterprises and industry associations in developing funding applications.⁸⁵ Co-contribution arrangements, whereby the Australian Government contributes between 50 and 90 per cent of the total training costs depending on the size of the enterprise, have followed this model and have been important to ensuring an enterprise-responsive, demand-driven approach.

We understand that the program has been oversubscribed, which suggests that it is meeting an important industry need for training closely aligned to business development and competitive advantage. Industry Skills Councils and other contributors to this review have promoted the program as a model of enterprise engagement as well as a workable option for co-contribution, for developing a culture of investment and also as a means of averting 'dead weight' of enterprise effort being substituted by government funding.

Refocus of Productivity Places Program

Redesign of elements of the Productivity Places Program (PPP) has also informed our proposal. We see this funding stream as forming the core component of the 'Enterprise Skills Investment Fund'.

The COAG National Partnership Agreement on the Productivity Places Program transferred responsibility for delivering the program from the Australian Government to state and territory governments. States and territories began delivering job seeker and existing worker places progressively from January 2009 and this will continue until June 2012. They will deliver more than 402,000 places during this time. States and territories have a range of funding and tendering approaches in place through their purchasing arrangements.⁸⁶ These entail various forms of industry engagement in planning priorities, participation and funding contribution. The funding is structured so that enterprises are required to contribute 10 per cent of the cost of training for existing workers.

84 Australian Government (2008) *Skilling Australia for the future—discussion paper*, p. 5

85 DEEWR, *Productivity Places Program: EBPPP*, accessed at: <http://www.deewr.gov.au/Skills/Programs/SkillTraining/ProductivityPlaces/Pages/EBPPP.aspx>

86 DEEWR—Industry Engagement Branch (24 March 2010), *Productivity Place Program: Where to next?*, Mintrac conference presentation. Separate arrangements were put in place for Victoria, which was not a signatory to the National Partnership Agreement.



We argue, however, that there is much unrealised potential in the larger PPP investment. We are also aware, through some critical submissions, of the unevenness of opinion about the results being achieved through the current non-enterprise-based PPP funding. A program evaluation has been undertaken, however results have not been made public at this point.

We propose that a refashioned Productivity Places Program could provide an important contribution to workforce development through more direct engagement by industry with firms to deepen individual skills and to better deploy existing skills; address areas of enterprise determined skill and organisational needs; and develop the capacity of business to increase productivity and deliver economic benefits to Australia.

Skills Australia proposes that the EBPPP and Critical Skills Investment Fund models, together with the refocused Australian Government PPP investment, provide the seeds for success in the redesign of a new industry and enterprise-responsive funding program.

Other enterprise-linked programs

Other Australian Government – funded enterprise-linked programs might also be included under the umbrella of the proposed fund to more strongly integrate them within the ambit of the workforce development reforms outlined above.

The Workplace English Language and Literacy (WELL) Program assists firms to train workers in English language, literacy and numeracy skills. While the program would continue to be earmarked for workplace language, literacy and numeracy, its development would be informed by wide-ranging industry and enterprise initiatives occurring elsewhere within the new fund, especially in relation to improved skills utilisation.

The Workforce Innovation Program, which provides support for industry-led pilot projects that address current and future workforce and skills development needs, is an example of another Australian Government – funded program that might be better harnessed within a more integrated program stream, and subject to industry advice on its utilisation.

Bringing the Enterprise Connect program, managed by the Department of Innovation, Industry, Science and Research, under the umbrella of the Enterprise Skills Investment Fund is a further opportunity for gaining synergy between a range of Australian Government programs focused on enterprises. In its submission the Australian Industry Group supported the expansion of the program and the model being used to assist skill development in the context of a firm's holistic assessment of its future direction:

The Program is proving to be a successful and powerful model for engaging with SMEs to improve their businesses. As well as an overview skills analysis and training programs check being carried out during business reviews, specific skills development initiatives are being introduced progressively to the Program. These include the Enterprise Learning and Mentoring service which offers both group learning sessions and one-on-one mentoring in relation to the development needs identified for firms, and another new initiative, 'Making Better Managers', which is focusing on improving managers' core capabilities around both the strategic and operational needs of the firm.

Australian workforce futures recommended a number of new workforce development initiatives that we see coming within the ambit of the fund. These include the proposed regional or industry cluster fund and funding for a workforce development observatory.⁸⁷

87 Skills Australia, *Australian workforce futures*, p.54 and p.72



Overview of the proposed new enterprise-responsive funding program and financing options

We see the continuation of Australian Government Productivity Places Program funding, in a redesigned format, as a vital resource for the direct engagement of enterprises in workforce development and as a core element of the proposed 'Enterprise Skills Investment Fund'.

The fund would work by allocating funding to enterprises or industry sectors for workforce development. Allocations would be made according to government priorities and on advice from an industry advisory board (discussed in section 3.5). Funding would be subject to recipients delivering nationally accredited training; demonstrating robust workforce development plans linked to business development or industry planning; and making a co-contribution to the cost of the program scaled according to the enterprise's size. This enterprise-responsive, industry-managed funding mechanism would offer a means to address specific industry- and enterprise-defined demands for skills and workforce development.

To finance the proposed fund, we recommend, following the advice of industry based on their experience of the EBPPP, that at the conclusion of the National Partnership agreement with states and territories from 2012, the Australian Government put the proposed new fund arrangements in place. We recommend the earmarking of 50 per cent of the funds allocated to the Australian Government Productivity Places Program — (approximately \$ 320 million)⁸⁸ — as the core element of the fund. This would be allocated directly to enterprises through industry advisory, allocation and intermediary processes discussed further below, following the model of the Critical Skills Investment Fund. The fund would also comprise other elements proposed in section 3.4.

We also recommend the continuation of this dedicated funding stream for workforce development initiatives beyond 2013–14. The ability to work within broad, rather than highly specified, parameters, together with increased levels of flexibility in how the program outcomes are focused, will be critical to its successful application. The fund's design should ensure its scope is not limited to the provision of training, but also focuses on how these skills can best be applied in the workplace.

The new fund will have the broad role of meeting enterprise workforce development needs and could be used for all levels of skills. One aspect of this could be to improve the way critical shortages can be met. But it is also intended that the student entitlement funding outlined in section 2 should help to address such issues, including shortages in the occupations on the Specialised Occupations List developed by Skills Australia.

88 DEEWR, Internal budget estimates— Youth and Industry Skills Group and Tertiary Skills and Productivity Group, 2009–10 Budget. Australian Government PPP funding is constituted by Treasury National Partnership component and DEEWR administered component, representing approximately \$640 million according to Forward Estimates in 2012–13. The existing worker proportion is estimated at 50 per cent, that is, approximately \$320 million.

Recommendation 3: Enabling workforce development

That the Australian Government:

- a) amalgamate existing enterprise-linked funding streams into an 'Enterprise Skills Investment Fund'. These include, but are not limited to:
 - the Critical Skills investment Fund
 - the existing worker proportion of the Productivity Places Program (including the Enterprise Based Productivity Places Program)
 - an expanded Enterprise Connect and Workplace English Language and Literacy Program, and the Workplace Innovation Program.These funds would be allocated to enterprises for workforce development purposes informed by the advice of industry and building on the experience and evaluation of the Enterprise Based Productivity Places Program.
- b) continue the Productivity Places Program funding from 2013–14 and redirect 50 per cent of this funding stream to constitute the core element of the proposed 'Enterprise Skills Investment Fund' for existing worker training and improved skills use by enterprises.

3.5 Proposal for industry leadership

An independent approach

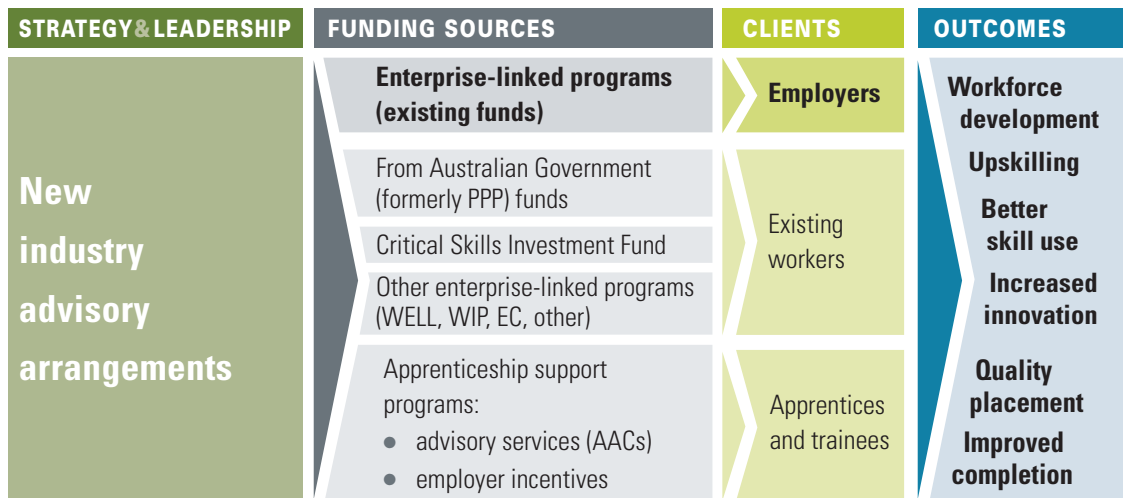
We envisage that, similar to the design of the Critical Skills Investment Fund, an independent, arm's-length advisory body is required to set the scope, parameters, guidelines and accountabilities for a new program of the scale of the proposed 'Enterprise Skills Investment Fund'. The evidence from submissions suggests that many parties—industry skills councils, RTOs, group training organisations, job services organisations, Australian Apprenticeships Centres, employer groups and others—have a role to play in workforce development. Many of these parties are committed to this initiative and will be important adjuncts to a successful approach. At the same time, the competitive forces and vested interests among service providers raise potential conflicts of interest.

Skills Australia sees a need for impartial and expertise-based industry leadership of the establishment and management of this venture and as a driver of the reforms. We see industry leadership as comprising individuals with direct experience in enterprises, industry associations and employee organisations. We recommend independent advisory arrangements be established to advise the Australian Government on the nature of the fund's implementation. Members of such a body would have to demonstrate that they have no potential conflict of interest. The body could potentially be aligned with the role of Skills Australia.

The industry skills councils can play an enhanced role in acting as brokers and intermediaries in allocations to enterprises, groups of enterprises, or consortiums from the fund (see figure 3.1).



Figure 3.1 Enabling skill use and productivity—Enterprise Skills Investment Fund (from 2012)



The role of training providers in industry-driven reform

For RTOs, a shift to demand-driven funding will require new ways of working. While we propose a new industry-driven body to lead this reform agenda, RTOs will continue to be active contributors to workforce development and accountable for outcomes and are expected to be parts of consortiums developed under the enterprise-responsive stream.

Some enterprises will logically choose to work directly with RTOs on integrating workforce upskilling within broader organisational developments. The TAFE NSW submission cites such cases. It makes the point, however, that these enterprises are more likely to be larger ones, which have specific budgets for workforce development, as ‘small and medium size enterprises may not have the financial or human resources to sustain workforce development without support’.⁸⁹ So this raises the likelihood of many RTOs working in an intermediary capacity, particularly with smaller local enterprises, to ensure they can access the enterprise funding stream being proposed.

The complex challenges posed by workforce development, especially in regional and rural locations, call for collaboration across sectors, engagement with enterprises and industry clusters and place-based solutions. We concur with submissions that the public provider, in particular, will play a special role. We see among TAFE institutes’ strengths, their broad range of programs and services and ‘a more geographically distributed capacity than other RTOs or education providers to facilitate and support skills ecosystems and post-compulsory education networks that can respond to local industry and community needs’.⁹⁰

The TAFE governance consultation paper released by the South Australian Government described the impact that they foresee increasingly contestable funding arrangements will have in creating a more responsive environment for learners and employers, especially among public providers.⁹¹ This issue is discussed further in section 4.

89 TAFE NSW submission

90 North Coast Institute and TAFE NSW submissions

91 Government of South Australia (2011) *TAFE SA Governance: A position paper for consultation*

Recommendation 4: A new advisory mechanism for industry-driven reform

That the Australian Government establish an industry-led advisory group to advise on the guidelines, priorities for allocation, and determination of the allocation of the proposed 'Enterprise Skills Investment Fund'. Such advisory arrangements could be aligned to the role of Skills Australia.

3.6 Proposal for more effective application of employer incentives

We see an opportunity to redesign employer incentives to have a broader focus on workforce development and create clearer pathways for apprentices and trainees. Our proposed model for the use of incentives would be brought under the auspices of the industry-led advisory group and funding would sit within the enterprise-responsive funding program proposed above and described in Figure 3.1.

In this section we discuss stakeholder views, a recommended approach to the use of employer incentives, and financing options to achieve this. We then look in detail at stakeholder views on a redesigned apprenticeship model and present our proposed new pathways model.

Although the term 'Australian Apprenticeships', used by the Australian Government and incorporating both apprenticeships and traineeships, makes no distinction between the two pathways, this is not the case in all states and territories. In the following sections we use the terms apprenticeship or traineeship purposefully to distinguish the variation between the two pathways in terms of qualification level, duration and enduring careers. This is discussed further below.

The current model

On the basis of submissions we received, we concur with the Apprenticeships for the 21st Century Expert Panel that the restructuring and better targeting of resources directed to employer incentives is necessary. We see also that, with greater flexibility built into their use, there is potential to leverage their application to achieve workforce development outcomes.

Some have argued that the apprenticeship model and the application of employer incentives have been 'overused' and 'do not support quality or increased completions and distort the market'. Others have suggested that the use of an apprenticeship as a means of engaging an existing worker and the application of incentives in this context is not always the most appropriate tool for upskilling. It has been suggested, and we have also concluded, that the way apprenticeships are currently set up and funded can create an artificial barrier in devising other, broader workforce developments.⁹² Some submissions noted the ongoing importance of directing incentives to those employers taking on disadvantaged jobseekers to encourage increased workforce participation. NCVER research suggests that employer incentives act as a wage subsidy in a proportion of cases. Noonan and Burke make the same point.⁹³

92 A number of confidential submissions were received on this matter

93 Karmel, T et al. NCVER (2010) *The effectiveness of the traineeship model*; Noonan, P and Burke, G (2008) *Financing vocational education and training in Australia: Present and future*, CEET



The expert panel has suggested that the financial resources currently devoted to the ‘one-size-fits-all’ employer incentives should be retargeted to better support quality on-the-job training, including mentoring and pastoral care for learners.⁹⁴ Skills Australia supports the prioritisation, higher accountability and better use of these funds.

A differentiated and more flexible model of employer incentives was advocated by contributors to this review. A number of submissions argued that an alignment is needed with real needs, for instance ‘a more targeted approach—might involve reducing the number and/or value of existing worker traineeship incentives, and recognising that some high level skills take longer to develop; incentives should be proportionate to the length and cost of training’ (South Australian Training and Skills Commission). The Australian Industry Group commented ‘new and different incentive arrangements are needed for existing workers and adult apprentices’. They also suggested that incentives might support a more broadly based program such as the Enterprise based Productivity Places Program.

Providing incentives for a broader focus on workforce development

Approximately \$1 billion in Australian Government funding is available annually for financial incentives for Australian Apprenticeships. The expert panel proposed that incentives be focused on those ‘occupations that have tangible and enduring value for the economy’. We also propose that financial incentives be refocused on workforce development outcomes related to better utilisation of existing skills in an enterprise, in addition to support for a contract of training. We suggest the use of employer incentives be linked to the formulation of an enterprise-specific workforce development plan. To be eligible for employer incentives, such a plan should be designed at the outset of a contract of training and should include an audit of the skills already available and their use. It should identify and plan for improved skill utilisation across the workplace. This would enable a whole-of-enterprise assessment of overall training and business development needs. A plan would also enable an evaluation of an employer’s capacity to undertake well-designed and articulated supervision of employee training.

Unlike larger enterprises, which have specific staff and budgets dedicated to workforce development, SMEs may not have the financial or human resources to sustain workforce development without support. We propose that SMEs be a particular priority for the targeting of employer incentives to build their knowledge and capability in developing and utilising workers’ skills.

Financing options for redesigned employer incentives

We suggest that a national stocktake and rationalisation of financial incentives and allowances for both employers and learners in contracts of training is needed. The 2009 Australian Apprentices Taskforce report lists approximately 130 financial support/incentive programs across the Australian Government and state and territory governments.⁹⁵

States and territories offer incentives for both employers and learners such as payroll tax rebates, WorkCover exemptions, transport subsidies and learner completion bonuses. Apart from the standard commencement and completion incentive payment to employers, the Australian Government offers a range of support for learners.

94 Commonwealth of Australia (2011) *A shared responsibility—apprenticeships for the 21st century*, Expert Panel report

95 Australian Apprenticeships Taskforce (2009) Final report, accessed at <http://www.australianapprenticeships.gov.au/FAQ/Documents/AATRepDec09.rtf>

Because of the essential purpose that apprenticeships play in the economy, they have over time attracted considerable public financial support, and this has arguably expanded in an ad hoc manner. There is scope for greater national coordination and efficiency to be drawn from this substantial investment, as well as a more concerted emphasis on successful completions.

In the redesign of financial incentives for employers and learners, we consider that the parameters and guidelines for their use should come within the ambit of the proposed Enterprise Skills Investment Fund. The strategy and guidelines for the application of financial incentives should also be the subject of advice from the industry-led body proposed at recommendation 4.

The inclusion of this funding stream within the ambit of the proposed fund would provide a powerful tool to encourage enterprise engagement and behaviour in relation to more holistic consideration of workforce development issues. Moreover, it would also create greater synergy, a shared agenda and a common platform of industry advice on the various elements of enterprise-linked funds at the national level.

3.7 Overview of a proposed model for apprenticeships and traineeships — pathways to differentiated outcomes

The current model

In the submissions and consultations, concern was expressed about whether the current apprenticeship model has sufficient flexibility and adaptability for the future. The Minerals Council submission speaks of the 'emerging redundancy of the model'. Others said that the current model is less relevant to young people who have a wide range of career options, and also for mature workers who bring pre-existing employability skills and knowledge to the job.

It was argued that it needs to be a 'living model' suited to various personal circumstances; one that can be 'customised' for generational and other labour market and employment differences. 'Future generations want to train faster and will change jobs more frequently. (It is) important that apprenticeships ... are not a narrow job outcome'.⁹⁶ An argument was also put to make the model more inclusive of skill set options, especially in industries with high turnover rates and skills shortages such as the meat industry.⁹⁷

An argument raised in submissions to us, and one not entirely resolved in the expert panel's report, is the role and purpose of traineeships and their relationship to traditional trade apprenticeships. The report suggests that bringing apprentices and trainees under the terminology and framework of 'Australian Apprentices' has been important:

Incorporating apprenticeships and traineeships under one framework has been significant in terms of encouraging a training mentality, as well as increasing the number of Australian Apprentices (notably with significantly more trainees commencing in the VET system than apprentices). It is important to recognise that traineeships, especially in areas such as health services, community services, aged

96 Construction and Property ISC submission

97 Agrifoods submission



care and child care, have contributed enormously to the professionalisation of these industries and improvement in both quality and consistency of service delivery. The improvement of occupational qualification through traineeship pathways will contribute to higher quality transferable skills across the economy, including in this vitally important and growing industry sector.⁹⁸

However, many submissions discussed the unresolved tension and confusion in the Australian apprenticeship model between apprenticeships and traineeships. At one level, this is evident in the ongoing blurred terminological differentiation of trainees and apprentices for both new entrant and existing workers. More recently cadetships have been proposed for school-based learners undertaking work-related study.

At another level the tension is reflected in the perhaps disproportionate focus on traditional trades ‘apprentices’ at the expense of ‘trainees’ in other industries—a point well made by the expert panel regarding the very significant contribution to the services industries’ skills base through the creation of new traineeships. Trades apprenticeships appear to be well respected and supported. This appears to be less the case for traineeships in some industries, especially those at lower qualification levels.

There was concern in the submissions about low-level traineeships, with arguments presented that they were ‘labour market interventions’ or ‘subsidised public employment schemes’. Some argued for ‘decoupling’ of apprenticeships (particularly trades apprenticeships) from traineeships.

In response to our discussion paper there were calls for an apprenticeship model that was not overly constraining or hierarchical, but one that could take into account differentiated learning and employment outcomes including:

- variable qualification level outcomes because of the nature of different industry sectors
- simpler branding, with greater distinction of traineeships as a ‘stepping stone’ to employment participation, as originally conceived in the Kirby report,⁹⁹ or to assist those already in the workforce to renew their connection with learning
- an outcomes-focused approach.

A pathways model

In addressing these ideas, Skills Australia has developed a pathways model to illustrate the distinction that submissions made in attempting to more clearly define the differences between apprenticeships and traineeships. It distinguishes four aspects of the traineeship and apprenticeship pathways:

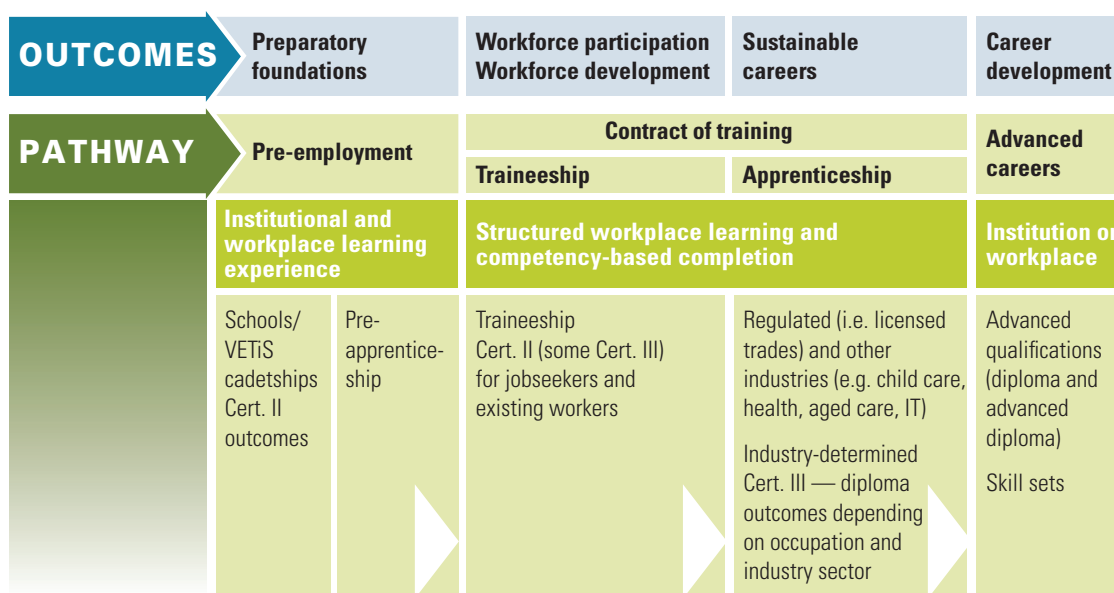
- A preparatory, or foundation, pre-apprenticeship stage that can be undertaken within institutions, largely through VET in Schools or pre-apprenticeship studies. This would also incorporate school-based cadetships.
- A traineeship pathway with two aspects. The first pathway would be for either jobseekers or disadvantaged learners, who may need a ‘taster’ experience of work based learning, undertaking entry to a sustainable career as an apprenticeship. The second would be a workforce development traineeship pathway for an existing worker.

98 Expert Panel on Apprenticeships for the 21st century, *A shared responsibility*, p.35

99 Kirby, P (1985) *Report of the committee of inquiry into labour market programs*, AGPS, Canberra

- An apprenticeship pathway to a sustainable career for a new entrant. This would include careers in the traditional or regulated trades as well those in other occupations in sectors such as community services and health, ICT and other industries. The reason for a broader and more inclusive redefinition of apprenticeship (beyond the traditional trades) is firstly to acknowledge the substantial shifts in the occupational and industry balance of the Australian economy towards services and other industries. Secondly, it addresses any indirect gender bias in the application of this term which has arisen due to its longer association with traditionally male-dominated trades.
- These three pathways would also be complemented by a career development phase after completion of the apprenticeship—this would represent a stage of lifelong learning and upskilling. The following model describes these differentiated pathways:

Figure 3.2 Traineeship and apprenticeship pathways — an outcomes focus



Following the discussion above, we do not see that traineeship pathways in this model, as a general rule, would attract employer incentives. However, where equity objectives are evident—such as employers providing contracts of training to disadvantaged and unskilled young people or the long-term unemployed without contemporary work experience—then financial incentives are warranted due to social inclusion priorities.

Similarly, it is also proposed that employer eligibility for incentives for existing worker traineeships be reframed, as discussed above, and used where enterprise skill analyses have been conducted and where workforce development plans are in place. However, we do not assume that financial incentives for existing worker traineeships would apply as a general rule. Decisions about this may vary from time to time, depending on government priorities for certain skills, industry sector initiatives, regional labour market development or specific restructuring interventions. The interests of very small enterprises also need to be taken into account in any consideration of the prioritisation of employer incentives for trainees.



Recommendation 5: Better targeting and prioritisation of financial incentives for employers, apprentices and trainees

That the Australian Government:

- a) undertake the following reforms of financial incentives for employers and learners:
 - target and prioritise financial assistance to employers so funds are linked to sustainable careers, or where equity or other government economic priorities are evident, as described in the proposed model in Figure 3.2 on page 59. The funds should also be used to leverage workforce development outcomes
 - following a stocktake, rationalise other financial benefits and allowances for employers and apprentices to ensure they are focused on stimulating improved outcomes
 - to be eligible for incentives, employers should undertake workplace skills analyses and have workforce development plans in place.
- b) agree to incorporate the strategy and guidelines for the application of financial incentives for employers and apprentices under the umbrella of the 'Enterprise Skills Investment Fund' and the industry advisory arrangements proposed at recommendation 4, to achieve a coordinated direction on the various elements of enterprise-linked funds at the national level.

3.8 Proposal for redesigned support services for enterprises, apprentices and trainees

We propose a redesign and rationalisation of support services for apprentices and employers with a broader focus on learner and employment engagement, successful work placements and improved completions. The program funding would sit under the auspices of the new Enterprise Skills Investment Fund, with strategy and guidelines developed by the proposed industry advisory arrangements.

In this section we summarise stakeholder perspectives, outline our proposed new model of support and argue for rationalisation and devolution services alongside implementation of the new model.

The current model

Many submissions praised the work-based delivery model of apprenticeships and traineeships as an invaluable hallmark of the Australian education and training system and the 'most recognised, accepted and utilised method of developing technical skills'.¹⁰⁰

There is considerable common ground between the feedback to our discussion paper and the recommendations proposed by the expert panel, especially in relation to the emphasis on reforms to improve retention; the need for better quality of workplace learning; more effective support of learners and employers; and more targeted use of employer incentives.

High-quality work-based training was seen as central to the improvement of retention and completion rates. The critical success factors for good apprenticeship outcomes were identified as better selection of employers and apprentices informed by good local labour market knowledge;

100 Australian Industry Group submission

better preparation of both learners and employers for placement through pre-apprenticeship and employer programs; and better employer and learner support through on-the-job mentoring and case management. Quite a number of industry and other submissions noted that improved apprentice and trainee wages have a role to play in improved retention and completion rates.

Submissions emphasised the importance of workplace supervisor training. Retention and completion issues have tended to be seen as ‘an apprentice problem’—either through a lack of work culture or unrealistic expectations. However, a number of commentators raised the need for employer mentoring. Employers are the other side of retention equation—many apprentices who leave cite workplace issues as a cause.¹⁰¹

Many submissions spoke of the need to provide a more broadly conceived support service for apprentices and employers than the one currently provided through the Australian Apprenticeships Centres (AACs). This advice coincided with feedback to Skills Australia from both industry stakeholders and peak bodies that career advice for learners and workforce development advice for enterprises is often poor or absent and is impacting on choice and ultimately on work outcomes. Our discussion paper noted that, in the VET sector, career development services are relatively limited and are often enveloped in general student counselling services with a wide variance across a plethora of providers and state and territory programs.

The AAC model was criticised in a number of submissions from several perspectives. Some considered it to be narrowly focused on ‘selling incentives and subsidies’. Some believe that this approach distorts the market.¹⁰² Others argued that current arrangements ‘do not support quality or increased completions’¹⁰³ and are ‘not effective in reducing attrition’¹⁰⁴. There were also views that ‘too many employers and apprentices are left on their own, receiving little support from AACs or anywhere else’.¹⁰⁵

A strong case was put in a number of submissions for a recasting of the AAC model. Proposals argued for a greater focus on case management and mentoring and a broader role for government funded intermediaries working more flexibly with enterprises. Many AACs themselves feel frustrated about the limitations imposed upon them by their contracts and would welcome a broader role.¹⁰⁶

Some also saw the complexity and overlap in current roles played by AACs and states and territories: ‘the AACs seem to be duplicated in some states by the sections within the state training authority. This duplication leads to confusion’.¹⁰⁷ A number of contributors recommended an independent ‘one-stop shop’ or ‘single points of contact’ on work-related training.¹⁰⁸ This model was also argued in terms of not only simplifying the multiplicity of parties and programs involved, but also providing a more holistic assessment of needs—both from the employer and learner perspectives. Others spoke of the potential to sharpen the focus of the service on improved retention as well as to leverage workforce development outcomes.

101 Group Training Australia (2005) *Good start—great finish: improving completion rates for new apprentices*; Snell, D and Hart, A (2007) *I think about leaving every day. Doesn't everyone?* Monash University; Clarke, K and Lamb, S (2009) *Provision of pastoral care in apprenticeships*, University of Melbourne

102 Australian Metal Workers Union; Group Training Australia; confidential submissions

103 Confidential submission

104 Housing Industry Association submission

105 Master Builders Australia submission

106 National Association of Australian Apprenticeships Centres; NSW Business Chamber; Busy Industries submissions

107 Western Australian Resource Industry Training Council submission

108 Business South Australia submission



Redesigning apprenticeship support services — a broader focus

We argue that the current Australian Government – funded apprenticeship support model requires reconceptualisation and a fundamental overhaul to enable the provision of ‘wrap-around’ services for enterprises and apprentices that could be linked to other workforce development advisory services or funding.

Currently approximately \$100 million per annum in Australian Government funding is available for this service. We propose that the AAC model and services as currently conceived be restructured and redesigned. As one of the most longstanding and significant workplace-linked programs, its strategic development and future direction should come under the umbrella of the proposed industry-led ‘Enterprise Skills Investment Fund’. This would provide the opportunity to leverage its services and maximise linkages with enterprise-level workforce development initiatives.

The new role should be targeted to the following outcomes: learner and employer engagement, successful work placements and improved completions. The need for on-the-job mentoring of both employers and learners to improve the quality of workplace learning was seen by many as one of the necessary elements of a newly focused support service:

We believe that mentoring, perhaps more than any other measure, will prove to be the most important intervention to improve the outcomes of contracted training. This mentoring will need to be targeted at both employers and their apprentices and will need to provide both parties with a range of skills, knowledge and experiences that have been professionally developed and delivered with their specific needs in mind. This will require a considerable investment of resources.

| *Group Training Australia submission*

A newly conceived service should also provide impartial advice and brokerage to address learner and employer information, labour market, training and workforce development needs. It is also envisaged as offering on-the-job support including mentoring and assistance with quality workplace training.

We recommend these changes to also enable a whole-of-enterprise consideration of current skills and their utilisation within the business context. It would allow a focus not just on those employees engaged in contracts of training, but the range of human resource developments within the enterprise where contracted training is commencing. We envisage that the redesigned service could provide advice to enable successful learning outcomes for the apprentice, advice on skills issues for other employees, and productivity or other improvements for enterprises.

Rationalisation and devolution — assisting client navigation through a single contact point

We also see further opportunity for simplification of support for apprentices and employers through the devolution of such services and their integration with state-funded apprentice support systems to enable a single point of contact for advice on apprenticeship issues.

The involvement of multiple levels of government in apprenticeship and traineeship operations is a disincentive to joined-up and coordinated resources focused on the advice and support needs of apprentices and employers, and ultimately, on successful outcomes. The Commonwealth currently funds and administers AACs and employer incentives while states and territories administer regulation, declare vocational orders, set nominal hours, manage disputes, provide pastoral care, oversee training contracts and issue state-level incentives. With a reconceptualisation of the AAC

role as proposed above, there is an opportunity to reconsider the 'layering' of this system over the top of state and territory operations.

A more logical distribution of responsibility is for the states and territories to administer all of the aspects of apprenticeships with contracted delivery of a one-stop shop specialist service, providing advice and pastoral care. This would entail states and territories undertaking responsibility for the reconceptualised AAC services and for contracting out the proposed new model of integrated service delivery. This would also allow greater opportunity for the more integrated service delivery outlined in section 4 to be developed. Discussion of clearer functional delineation of governments' roles is also discussed in section 10.

The new service model would be designed within program parameters set at the national level, but with sufficient flexibility to allow for the most effective local-level service design. We do not envisage this as states and territories 'taking over' the service, but rather acting as local coordinating agents for the national program to ensure the best local service framework that can mesh most effectively with state-funded operations.

Recommendation 6: Services for employers, apprentices and trainees

That the Australian Government:

- a) restructure the Australian Apprenticeships Centre program and redirect funding for a redesigned service. The new role should be targeted to the following outcomes: apprentice and employer advice and engagement, successful work placements and improved completions. In addition, the service should assist with on-the-job support including case management, mentoring, assistance with quality workplace training and advice on workforce development matters
- b) agree to the strategy and program guidelines for this enterprise-linked service to come under the umbrella of the industry-led 'Enterprise Skills Investment Fund' to maximise its focus and support linkages with enterprise-level workforce development initiatives
- c) in designing the new service, negotiate with states and territories to establish single points of contact for all matters related to apprenticeship operations, pastoral care of apprentices and support for employers in order to ensure simplified, devolved and integrated service provision.



4 Communities and connections

In previous sections we have argued for demand-led approaches to improving participation and workforce development. In this section, we recognise the need for locally driven solutions to complex problems, and the importance of ensuring the needs of disadvantaged learners and communities are not lost in a more competitive environment.

In order to foster regional development, maximise the benefit of government investment in local communities and improve outcomes for disadvantaged learners, the following discussion argues the need to:

- better integrate the VET sector and employment services
- rationalise and better coordinate employment and workforce development programs
- clarify the role of the public VET provider in meeting a public good role
- recognise the role of adult community education in improving outcomes for disadvantaged learners
- use regional development bodies to develop regional workforce development strategies in consultation with other regional stakeholders.

4.1 Breaking out of policy silos—linking employment and training services

Human capital programs have tended to conceive of remedies for workforce participation and productivity separately in terms of either ‘skills’ or ‘job’ solutions. But as our recent and past consultations have demonstrated, VET providers are acutely aware of the interdependence of their roles with local social and economic factors as well as wider market influences affecting regions and industries. Similar insights have come from those working in the employment services and welfare sectors.¹⁰⁹

Many submissions put to us the need to reconceptualise the relationship between the VET sector and employment programs. They argue that the relationship between VET and employment services needs to significantly alter and the time to bridge the gap between the policy silos is long overdue.

Their feedback has emphasised that to bring about effective vocational education and training means the development of strong linkages with employers, industries and regions and collaborative relationships with other service agencies. Employer participation in recruitment and training, the creation of flexible entry-level jobs, and joint strategies between social partners will be necessary for success. Submissions indicated the following changes are needed:

formalised processes to enable collaborative service strategies are required to deliver on learner centred needs and maximise return on investment.

| *National Employment Services Association submission*

case management approaches and strong partnerships between providers, government agencies, community organisations and employers. More flexible use of resources and new models of collaboration, potentially across multiple service providers may be needed to allow this to happen.

| *Innovation & Business Skills Australia submission*

109 Brotherhood of St Laurence submission

consider how the JSAs and the training sector could work together to assist students approaching work readiness in a similar way to that occurring in the VET to Work program through the Disability Employment Service providers

| Confidential submission

Good employment figures hide underemployment and disadvantage

Collaborative approaches are particularly important in regions and communities that are not sharing in the nation's prosperity. As a whole the country has enjoyed a long and almost uninterrupted period of economic growth and, as a result, is close to full employment (as defined by the rate of unemployment consistent with low inflation). However, alongside this there are many regions that experience serious economic disadvantage and, unfortunately, location disadvantage has become more, rather than less, entrenched.

There is profound regional diversity in economic opportunities, education outcomes and employment participation:

- some 15 percentage points separate states and territories with the lowest and highest employment participation rates
- across regional Australia there is significant diversity reflecting both pockets of skills shortages primarily related to specific industrial activity such as mining, and regions with low participation such as coastal areas, which the ABS forecasts will continue to experience a fall in employment participation as they draw more retirees into the population¹¹⁰
- Australia's cities combine suburbs of wealth and privilege with areas where people experience multiple disadvantages.¹¹¹ For example, in the Sydney region employment participation rates range from 72.3 per cent in inner Sydney to 54.7 per cent in Canterbury Bankstown.¹¹²

These characteristics also affect the nature of employment, the demand for skills or opportunities for upskilling available within particular communities. Regional or local skills issues experienced by employers may sometimes result from shortages of individuals with the right skills, while in other cases, they will result more directly from industry practices and choices made by individuals and families. Upskilling the unemployed so they can enjoy long-term work, or giving those in jobs the opportunity to exercise the skills they have, can only occur if employers can offer employment of a suitable quality where people can continue to develop and use their skills. In other words, skills and employment issues are integrally interwoven, and are part of the same formula for regional labour market solutions.¹¹³

A challenge in public policy is to design national programs with sufficient flexibility to address issues facing areas with very different market and lifestyle conditions. Barnett and Spoehr argue that local-level input into strategies for workforce participation is critical because of variation in labour markets:

Local economic demand conditions are significant in obtaining employment and in moving from a poor-quality to a high-quality employment situation. Researchers have

110 Skills Australia, 2010 *Australian workforce futures*, p. 27

111 Vinson, *Dropping off the edge*

112 Refer to Participation Rates by Labour Force Region 2010 table Regional Development Australia submission p.4

113 Beattie, L (2008) *Down the Track-Dairy 2020: Creating a strategic direction for the dairy industry in south west Victoria and south east South Australia*, WestVicDairy. See also South Australia Works in the Regions program which operates through 13 Regional Development Boards and takes a targeted approach to training and employment



identified that training programs are more likely to lead to long-term employment if they are linked to jobs in demand in the local economy and if they are designed to reflect the needs of local employers [citations omitted].¹¹⁴

It is usual for workforce planning and recruitment decisions to be made by employers at the local level. For providers of education and employment services, developing relationships with employers can lead to improvements in quality and responsiveness. Place-based or location-based initiatives have been proposed in many submissions as necessary to achieve better integration of training and employment services because it allows flexibility for linkages and improved use of resources.¹¹⁵

By 'location-based' we mean actions or strategies that entail decentralised and localised solutions for local problems in particular neighbourhoods or regions. They often involve collaboration between public and private sector organisations and tailored services to suit local conditions.¹¹⁶

4.2 Building bridges between services

In this section we discuss the challenge of addressing entrenched and complex problems that cut across multiple policy areas. We suggest that governments' contractual arrangements with employment services and RTOs could be used to drive joint planning and more coordinated service responses in specific locations. We see this approach as addressing localised, stubborn labour market issues and offering potential for improved outcomes for the long-term unemployed.

Dealing with complex issues across multiple policy areas

When policy makers work independently from each other there is a tendency to produce duplication and service gaps. The OECD found that duplication is both frequent at the local level and wasteful, leading to a drain on public resources.¹¹⁷ At the same time, many complex issues—such as the intransigence of regions or sectors with low skills intensity—are rarely dealt with by any public agency. While officials work towards increasing the efficiency of individual policy areas, they often neglect to check whether efficiency is gained across government as a whole. Whereas local governments may have an overview of policy interventions at the community level, they do not often have authority over the bodies that they are working with to produce change. Joint approaches shared between agencies can be an effective way to maximise investment across different policy areas and address complex and interdependent problems.

Submissions noted that partnership approaches across government agencies are important in addressing entrenched disadvantage. Community Colleges Australia has called for:

a whole of government approach, that offers long term funding programs providing more consistency for tutors and prospective learners, and providing greater coordination between government agencies, recognising that for an Education and Employment change to occur for disadvantaged students in VET, related change needs to happen in all areas of the student's life. Departments such as health, mental health,

114 Barnett, K and Spoehr, J (2008) *Complex not simple: the vocational education and training pathway from welfare to work*, NCVER

115 See for example TAFETA Outreach Special Interest group submission

116 Australian Social Inclusion Board (2011) *Governance models for location-based initiatives*, Department of Prime Minister and Cabinet, accessed at <http://www.socialinclusion.gov.au/Resources/Documents/Governancemodelsforlocations.pdf>

117 Froy, F (2009) *Breaking out of policy silos—joining up policy locally*, LEED programme, OECD

Aboriginal affairs, housing, transport, family and community, disability, all contribute to the continued engagement of a disadvantaged student in gaining success in VET.¹¹⁸

The National Employment Services Association (NESA) reports that providers of employment services note that the most effective outcomes for disadvantaged learners are delivered through partnerships with RTOs.¹¹⁹ Industry stakeholders have similarly recognised that industry and educators must together develop clear pathways to lift the participation rate of students, particularly many disadvantaged students, who appear unprepared for work.¹²⁰

The Australian Manufacturing Workers' Union submission notes:

Students should be case managed and appropriate wrap around services (such as Language, Literacy and Numeracy support) employed on an as-needs basis. Producing skilled workers is a complex business and more analysis should go into working out what training and support a vocational student may need. Only then should delivery methodology be determined ie LLN support, work-based delivery; use of ICT; student support; e-learning; income support; employment services etc.

But best practice is not always mainstream practice. OECD country research shows that to gain more mainstream outcomes, partnerships need to be systemically supported while allowing local flexibility to adapt policies and programs to meet local circumstances. Where there is no systemic support, partnerships often depend heavily on personal relationships, which are subject to change.

A current Australian example is the work of the Coordinator General for Remote Indigenous Services. The Coordinator General has the role of overseeing intergovernmental partnership agreements on remote service delivery. The principal focus is to build strong communities. The body has 'the authority to work across agencies to cut through bureaucratic blockages and red tape' and to provide 'single government contact points located' within the identified remote communities.¹²¹

Below we outline proposals to drive systemic change in links between employment and training programs.

Systems change to improve coordination

VET providers can play a vital role by working in local communities and contributing to regional development through productive partnerships.¹²² Holistic or place-based solutions go beyond training providers working with enterprises to include other partners such as employment services providers, community groups and government agencies. Governments can encourage this through funding incentives, or by allowing sufficient flexibility in contract requirements for new approaches between providers to take place.

We propose the Australian Government stimulate formal linkages between employment services and vocational education and training providers by using its contracts with employment service providers as a lever to require employment services to engage with training providers and other community organisations. This will necessitate a 'systems-based structure for collaboration, that

118 Community Colleges Australia submission to NVEAC

119 National Employment Services Association (NESA) submission

120 Housing Industry Australia submission

121 <http://www.cgris.gov.au/site/rsd.asp>

122 Kilpatrick, S (2003) *The role of VET in building social capital for rural community development in Australia*, Centre for Research and Learning in Regional Australia, University of Tasmania



is, built into the system, rather than being ad-hoc and relying on the goodwill of individuals'.¹²³ However, there needs to be sufficient flexibility in such arrangements to allow appropriate models to unfold to suit local regional contexts.¹²⁴

Similarly, state and territory governments through their contracts with RTOs could actively encourage providers to engage with employers, employment services and other potential partners at the local level.

Stakeholders have also suggested that formalised processes to enable collaborative service strategies are required to deliver on learner-centred needs. For example, development of improved communication protocols in relation to critical information needs, new accountabilities and, above all, sufficient resources to allow the service-to-service contact that can enable collaboration to come to fruition. This can be achieved by establishing local networks of employers, trainers and employment services with the learner kept at the forefront of design and delivery.¹²⁵

However, this will mean further regearing of employment programs away from high-volume, standardised, transactional businesses to a model that can encourage longer-term, strategic investment in stubborn locational labour market issues. Fowkes comments that in the current design of employment services 'long term investments in job seekers, long term employer strategies and true, "risky" innovation, have all been casualties'.¹²⁶

We also consider that the effort and financial investment would deliver better results if education and employment providers aimed for better engagement of enterprises to identify jobs where there are longer-term prospects, work with enterprises to assess skills needs and jointly design pre-employment training and job preparation. This, combined with a commitment by employers to improve employment, retention and progression, has been shown to deliver better outcomes for disadvantaged job seekers.¹²⁷

The factor that the OECD identified as most critical for successful, joined up programs was local flexibility in program design. This included the ability to:

- influence the design of policies and programs
- decide how budgets are spent
- negotiate and decide on performance targets.¹²⁸

We propose that these important characteristics be built into future employment services contracts, in order to achieve improved employment outcomes, particularly for stream 3 and 4 unemployed and for clients in areas of entrenched disadvantage. This approach is supported by evidence from international and local case studies and recommendations of the Australian Social Inclusion Board.¹²⁹

123 Barnett and Spoehr, *Complex not simple: the vocational education and training pathway from welfare to work*, p.10

124 Billet, S, Ovens, C, Clemans, A and Seddon, T (2007) 'Collaborative working and contested practices: forming, developing and sustaining social partnerships in education', *Journal of Education Policy*

125 Rushbrook, P and Pickersgill, R (2008) *In training we trust: communicating regional training need and demand to vocational education and training providers*, NCVET

126 Fowkes, L (2011) 'Rethinking Australia's employment services', *Perspectives 6*, The Whitlam Institute, University of Western Sydney

127 Wren, T (2011) 'Lifting participation and employment for disadvantaged job seekers: Demand-led and supply-sensitive reforms', ACOSS National Conference 29 March 2011

128 Froy, *Breaking out of policy silos — joining up policy locally*

129 Australian Social Inclusion Board, *Governance models for location-based initiatives*; OECD (2009) *Designing local skill strategies*, LEED programme; The United States National Foundation for Workforce Solutions; Ferrie, D (2008) 'What we have already done that is valuable for the future', The Brotherhood of St Laurence and Department of Planning and Community Development, Social Inclusion and Place Based Disadvantage Workshop Proceedings, 13 June 2008

It should also be noted that the employment programs and vocational education market is a very congested and competitive space, arguably complicated by potential conflict of interest among many providers. It is set to become more highly competitive if our proposed entitlement-based funding approach is extended in the VET sector.

There are currently 115 Job Services Australia (JSA) providers operating in the national market, ranging from small providers with fewer than five sites to national providers with over 150 sites. Of these 115, two-thirds (63 per cent) have their own RTO arm or have partnership arrangements with RTOs. This market characteristic may arguably impede those RTOs who are not in the JSA market from developing mutually beneficial partnerships with JSA providers, even though they may be better connected to industry and allied services in their respective regions and communities.

The new contract for Job Services Australia needs to consider how best to address potential conflict of interest in a joined-up service approach and achieve effective collaboration within this environment of multiple service providers.

Recommendation 7: Ensuring joined-up services

That the Australian Government incorporate in the new round of contracts with employment services agencies the requirement to undertake joint program planning with local registered training organisations and intermediaries for the design of joined-up local services in regions of entrenched disadvantage and to make better use of funding for improved employment outcomes for highly disadvantaged clients, notably stream 3 and 4 unemployed.

4.3 Integrating effort across jurisdictions and supporting regional development

In this section we outline the need to rationalise employment services and consolidate governments' focus on improved service outcomes, especially in regional areas.

A preliminary desk audit conducted by Skills Australia indicates scores of programs—at both national and state levels—directed at preparation for job placement and improved connections between employers and learners. The Australian Government invested around \$2.5 billion in 2009–10¹³⁰ in programs and services to support training or pre-employment strategies for individuals who are disadvantaged relative to others in the labour market. State and territory governments, similarly, develop and fund their own programs to address gaps and local needs.

This level of provision and accessibility for clients is a positive attribute of service delivery. However, problems can arise when different agencies separately identify a need and then each seeks to provide services, which results in duplication of effort. This can become frustrating and confusing to the supposed beneficiaries of this effort, particularly when accompanied by a stop-start approach to service delivery as one program ceases and another begins. Additionally, the variety of programs arguably involves duplication of administrative effort, both for the agencies overseeing the programs and the service delivery agencies who apply for grant funding.

130 This represents budgeted figures for Employment Services, Indigenous Employment Program and Disability Employment Services noted in the DEEWR 2010 annual report: http://www.annualreport2010.deewr.gov.au/2010/part4/app9/Pages/app_09_Outcome4.aspx



Stakeholder consultations frequently raised the issue of duplication of services which can lead to over servicing, confusion for clients and unhelpful competition in thin markets.

In this time of reform across many departments of government and at different levels of government, there is a need to coordinate services and programs to allow greater training delivery to occur with minimum increases in bureaucracy and administrative burden. There are an increasing number of organisations and departments becoming involved in the VET area....Current policy and practice can be fragmented, and confusing, not only for the student, but also the providers and employers.

| *Community Colleges Australia submission*

Opportunities for, and mechanisms to foster streamlining, exist. The Australian Government recently established priority employment areas and placed local employment coordinators and employment project officers in each of the priority areas.¹³¹ The local employment coordinators have played a role in helping to avoid duplication as they facilitate linkages across national, state and local government programs.

In addition to better coordination of existing programs, we propose a stronger focus on employer-driven regional initiatives. The National Employment Services Association notes that improvement to the current service model will require a long-term approach and investment to build engagement with employers and other critical stakeholder networks focussed on regional or sectoral development.

The design of employer services within the current employment and related services framework is highly transactional in nature. The design of Job Placement services centres around capturing and filling vacancies as they emerge rather than developing more long term and strategic relationships with the business community.

Services need to be coordinated with contributions from a range of stakeholders seen as essential to being able to deliver effective workforce solutions. Providing assistance and support to employers to facilitate their engagement and investment in workforce development requires an individualised and tailored approach. These approaches should be integrated and reflect a whole of enterprise workforce development strategy reflecting the diversity of skills required to operate.

| *National Employment Services Association submission*

There are many examples of companies that have comprehensive regional strategies in place. Argyle Diamond mine is one example. It has a policy of recruiting locally and providing training and employment opportunities to Indigenous people. The company has shifted its practices from a fly-in fly-out approach on the basis that it is better for the company and the community to employ a local workforce.¹³²

131 See DEEWR website <http://www.keepaustraliaworking.gov.au/pages/LocalEmploymentCoordinators.aspx> and http://www.deewr.gov.au/ministers/arbib/media/releases/pages/article_090625_090203.aspx

132 See also OZ Minerals in Cleary, P 'Remote mining graduates see prospects take flight', *The Australian*, 30 October, 2010

Argyle Diamond mine¹³³

Argyle has undertaken a range of initiatives to assist local people to capitalise on employment opportunities at the mine site. This has been a long-term strategy, which has led to the current situation where Indigenous people now represent nearly half of the local workforce, reflecting the population profile of the area.

The ability to achieve the level of success outlined in the Argyle example requires a degree of organisational commitment and know-how both in terms of the capability to develop less skilled workers and in terms of knowing what training, employment and support services are available to assist employers attract, develop and retain staff. Not all companies possess this capability, nor are they all aware of services available to them.

Skills Australia has considered the most appropriate leadership and governance arrangements to drive better integration of public employment and training services to support regional and sectoral developments. OECD research confirms the importance of local governance when integrated employment service solutions are being developed.¹³⁴ As discussed in section 10 in relation to the differentiation of government functions, we argue in general that the Australian Government is best suited to take on national, strategic coordination roles. We see state and territory roles as specialising in service delivery and operations and finding the most effective and comprehensive responses to problems. As far as possible we consider that coordination of services should occur at the regional level.

The Social Inclusion Board recommends the need for governments to agree on a framework for providing integration of effort across governments.¹³⁵

Accordingly, in supporting this direction, we propose a greater role for state training authorities to advise on appropriate local levels of coordination of employment and training services. We see that there is great scope for the Australian Government to work with state training authorities in developing better integrated employment and skills plans, especially for regional areas of entrenched need for structural change, such as the priority employment areas noted above.

133 <http://www.theajmonline.com.au/pdfs/ajm-jan-feb-26-28.pdf>

134 Giguere, S (2005) 'Local employment development, decentralisation, governance and the role of government', International Symposium on local employment and development, February 2005 Tokyo, The Japan institute for Labour Policy and Training

135 Australian Social Inclusion Board, *Governance models for location-based initiatives*, p.58



Recommendation 8: Streamline services to reduce duplication and improve coordination

- a) That Australian governments agree to assess areas of overlap across jurisdictions' employment and workforce development programs to:
 - consolidate their number
 - rationalise duplication and complexity
 - improve their effectiveness and make the necessary changes to achieve streamlining.
- b) That the Australian Government agree, as part of the next tender for employment services, to delegate the objective and oversight of better integrated services and outcomes to the state training authorities. This should include fostering strong links between local employment coordinators and stakeholders to ensure a high level of integration between employment services and training and workforce development providers, especially in areas of entrenched disadvantage.

Investment to meet the cost of services

Evidence shows that investment in wrap-around services, individualised case management and individual learning plans, access to assistive technologies, and better advice to inform choices will all generate better outcomes for disengaged and disadvantaged groups.¹³⁶ Submissions argued current funding models do not reflect the cost of delivery and learning supports such as more one-to-one teaching, additional hours needed to meet outcomes, services such as assistance with housing, families, transport, substance abuse and development of good work habits and routines.¹³⁷ As long as the real cost of service is not being met, services to disadvantaged students will continue to diminish or be delivered with a compromised level of support.

The National VET Equity Advisory Council (NVEAC) notes that effective use of resources will also generate significantly greater returns in terms of reducing incomplete and unsuccessful participation in training in and supporting foundation skills, bridging and pre-vocational pathways as critical paths of the incremental journey to higher-level qualifications. The council puts it this way in its submission:

NVEAC sees this area of reform [a new investment approach] as fundamental to achieving success in the other reform areas. Our stakeholders have consistently told us that the investment approach needs to be holistic, flexible, learner-centred and based on individual needs. It should be available to support bridging and pre-vocational pathways, and represent an accurate reflection of the true cost of delivery and support, including the meaningful costing of delivery in remote areas of Australia and in communities with high levels of disadvantage. This investment needs to be acknowledged as short-term cost for long-term gain to the economic, social and cultural life of the Australian community.

In section 9 we outline a recommendation for new investment targeted at more effective delivery and improved outcomes for disadvantaged learners.

We note that NVEAC is developing a new equity investment model that will take into account the costs involved in case management and wrap-around support services when establishing and maintaining partnerships and delivering services in remote regions. The work will also identify the forms and sources of funding support currently available and how these might be better coordinated. We consider that determining the cost of delivery to equity groups is important and support NVEAC's work in this regard.

136 NVEAC, *Equity Blueprint 2011–2016—Creating futures: achieving potential through VET*, p. 16–17

137 Tamworth consultation; Community Colleges Australia submission

4.4 Providing the structures and mechanisms in VET for a place-based approach

In this section we propose clarification of the role of public providers, including maintenance of core funding, and clear accountabilities to reinforce regional development and protect against market failure.

Articulating the role of the public provider in a market-based sector

- The TAFE system has a significant function in regions to protect against market failure and as a lever of government policy in supporting regional and local initiatives.¹³⁸ TAFE institutions have a unique and complex role as providers, acting as lead agents in government policy agendas, responding when required to ensure that the needs of specific regions and target groups are met.
- We anticipate that the individual and enterprise-responsive funding models described in sections 2 and 3 of this report will lead to higher levels of competition within the VET sector. We also envisage a greater role for the VET sector in supporting workforce development activities. This will mean that all training providers need to develop sound governance and operational methodologies that are creative and entrepreneurial in the ways they work with enterprises and other stakeholders.¹³⁹

However, a number of submissions, not only from TAFE institutions, argued the need to bolster the public providers' role in achieving social and economic development outcomes, including regional development. Some expressed reservations about TAFE's resilience in a more competitive system:

It is also important to protect against market failure where markets are thin such as in remote and regional communities and niche occupations ... Any movements toward entitlement based funding approaches also need to be underpinned by a guaranteed base funding component. The Discussion Paper correctly raises the issue of TAFE's broader social and community obligations. It is important not to lose sight of these when considering issues associated with contestable funding and entitlement models. Industry wants TAFE to continue to play important roles in community service, social inclusion and the provision of foundation skills.

| *Australian Industry Group submission*

To enable this ongoing capability in TAFE institutions, we propose that state and territory governments will need to maintain a core or base of funding or develop specific funding frameworks to support the public good role of the TAFE sector. As one industry body submission stated:

Publicly funded organisations should be mandated to drive the difficult training issues identified by government policy direction e.g. regional delivery, equity and disadvantaged people. TAFE has always had a community education obligation component to its services that is not part of a competitive market ... Aside from that it has the greatest capacity to maintain and add to its training infrastructure due to its size and delivery profile. This has a cascading effect in that training provision in trade areas that require significant infrastructure and resources tend to revolve around TAFE institutes and private RTOs are unlikely to try and enter the market.

138 TAFE and TAFE institutions are used here as generic descriptor for public providers

139 Guthrie, H and Clayton, B (2010) *Building capability in vocational education and training providers: the TAFE cut*, NCVET



Nonetheless it would be retrograde if there was a continuing division between TAFE delivering resource intensive VET programs such as trade apprenticeship training and private providers picking out high volume, low resource programs such as business and IT services training. A richer range of options for both individuals and employers between all RTOs would be beneficial and stimulate genuine competition and more innovation in delivery practices.

| *Business Services Industry Skills Board South Australia*

Research into VET provision in regional and rural communities has found that competition can be healthy in terms of driving quality and price improvements in larger communities. However, competition in thin training markets was seen to have a negative influence on the overall effectiveness of vocational education and training. In small communities, local providers were squeezed out by fly-in, fly-out providers, and in other cases effectiveness was reduced because all providers tried to compete for the courses with a high demand, which were usually entry-level courses applicable to several industry requirements.¹⁴⁰

We propose that in an environment of increasing contestability, governments should clearly articulate the role of the public provider. A potential model exists in the recently released South Australian position paper, which provides an overview of the functions the South Australian Government may require of TAFE SA.¹⁴¹ In overview, the functions are described as:

- contributing to the wider policy objectives of the government, including about regional, community and industry development
- setting a high standard of quality for the VET system by virtue of its performance as a public institution
- providing stability to the training system, especially for strategic or critical skills and in key industry sectors
- providing the government with the capacity to ensure that training and community service obligations continue to be met and expanded in regional and remote areas, or thin or non-commercial markets
- contributing to community and regional development requirements, meeting the needs of specified community groups
- offering a community-owned resource, in terms of capability, services, infrastructure and human capital, to local communities and establishing effective links with schools and universities to improve pathways for people moving to, and from, VET and higher education.

We support the South Australian analysis of the functions of the public provider and further propose that the role articulated for the public provider should be included in the new National Agreement for Skills and Workforce Development.

We suggest, however, that any commitment to core funding to the public provider would need to be complemented by transparent accountabilities and nominated outcomes for community service obligations. As well it would need to be accompanied by reforms to enable TAFE institutions to thrive in a more contestable market.

140 Kilpatrick, S in Ingle, B and Walls, P (2003) *Engaging communities through lifelong learning*, p. 11, <http://www.engagingcommunities2005.org/abstracts/Ingle-Bernard-final.pdf>.

141 Government of South Australia, (2011), *TAFE SA Governance position paper for consultation February 2011*, accessed at <http://www.dfeest.sa.gov.au/AboutDFEEST/Strategiesplanspolicies/SkillsforAll/TAFESAGovernance/tabid/380/Default.aspx>

More flexible governance arrangements are required to free up public institutions to react positively to changed market conditions and opportunities.¹⁴² This may include removing operational constraints around delegation, reporting and budgeting; flexibility to attract, recruit, manage and retain appropriate staff; and the ability to use revenue and assets to reinvest in service capability. This will be vital for continuing service innovations and success in a more competitive market. As other commentators have pointed out, there is a need to ensure that the achievement of national economic and public policy outcomes do not disproportionately become the responsibility of public providers without adequate resources.

Recommendation 9: The role of the public provider in communities

That Australian governments:

- a) articulate the role of the public provider in the next intergovernmental resourcing agreement for the sector
- b) in introducing an entitlement funding model, agree to maintenance by state and territory governments of core or base funding to enable public providers to fulfill a public good role that cannot be achieved through market-based arrangements. Such funding must be subject to clear performance outcomes and reform accountabilities, including greater flexibility in governance arrangements.

Effective engagement of learners at the community level

In this section we propose that the role of adult and community education in creating pathways to further training and employment should be formally recognised.

The adult and community education (ACE) sector is able to respond to the diversity of their local communities' needs by offering flexible lifelong learning opportunities and provides pathways into further learning, community participation and work. It makes a significant contribution to re-engaging disengaged learners across all age cohorts through access to lifelong learning.¹⁴³

Our discussion paper reported the important but largely unacknowledged contribution of the ACE sector to Australia's VET effort and noted the growing proportion of ACE students taking accredited AQF courses, increasing from 25 per cent in 2002 to 47.4 per cent in 2009.

Many submissions commented on the important role played by ACE in creating pathways to vocational learning through their provision of entry-level, pre-vocational and foundation skills programs. ACE often provides non-institutional alternative settings and methods of learning that can be accommodating of those unfamiliar or uncomfortable with more formal education environments. It is also seen as a cost-effective provider with strong links to its communities. Some submissions made the point that ACE provides important niche products that assist local enterprises. As one noted:

The diversity of the VET cohort must be taken into consideration ... This translates to the kind of programs that are offered, the way that they are provided and the inclusion of appropriate supports for the learner. It's not just about attracting learners to the system, but it is also about providing appropriate supports to retain learners and thereby improve their chances of successful completion.

| *National Access Education Leaders Network submission*

142 *ibid.*

143 Birch, ER et. al. (2003), *Exploring the social and economic impacts of adult and community education*, NCVET



The National VET Equity Advisory Council points to the ACE sector as an undervalued community asset and argues the need to increase its profile to further support the VET system's performance in relation to improving access participation and outcomes for people with low skills. In the council's view the time has come to:

acknowledge the role of ACE in building social inclusion; place it in the context of the current COAG agenda; clarify its policy, funding and regulatory frameworks; and formalise recognition of its pathways into further learning.¹⁴⁴

In recognising the distinct role of the ACE sector, South Australia in its recently released *Skills for all* policy document announced that it will be supporting ACE to deliver more programs in foundation skills and to provide entry-level pathways into further training and education.¹⁴⁵

Despite the contribution of the ACE sector, and despite two successive Ministerial Council Declarations that specifically refer to its role in increasing participation and providing pathways, its role as a whole remains precarious, with some jurisdictions providing limited or no recognition or funding.

Skills Australia considers that the sector should remain a distinct and complementary offer which has strong connections with the broader VET sector. Its role and status should be reinforced through special reference in the next intergovernmental resourcing agreement.

Recommendation 10: The role of adult and community education in communities

That Australian governments affirm the importance of the adult and community education (ACE) sector as a pathway for individuals undertaking pre-vocational, bridging, entry-level and foundation skills programs by formally acknowledging in the next intergovernmental resourcing agreement for the sector the role played by ACE providers in attracting previously disengaged learners.

Identifying local needs and opportunities

In this section we propose that Regional Development Australia committees utilise local networks to undertake local workforce development planning and advisory roles to inform state and national policy and funding.

The Australian Government has established Regional Development Australia (RDA), a network of 55 committees located throughout Australia to provide a strategic framework for economic growth in each region. These local committees comprise members with a cross-section of expertise. The Government envisages that RDA committees, by drawing on their engagement with the community, will be important contributors to business growth plans and investment strategies, environmental solutions, social inclusion strategies and the integration of broadband into the community. Each RDA committee fills its own niche within its local community, and responds to the individual needs of its region.¹⁴⁶

144 NVEAC, *Equity Blueprint 2011-2016 Creating Futures: Achieving potential through VET*

145 Government of South Australia, *Skills for all*,

146 See Regional Development Australia website http://www.rda.gov.au/about/files/RDA_National_Roles_Responsibilities.pdf

The key functions that underpin the role of the national network of RDA committees are to:

- support informed regional planning
- consult and engage with the community on economic, social and environmental issues, solutions and priorities
- liaise with governments and local communities about government programs, services, grants and initiatives for regional development
- contribute to business growth plans and investment strategies, environmental solutions and social inclusion strategies in their region.

The RDA committees therefore have a role in planning for local needs particularly considering that in some regions skills development and employment opportunities will be the highest priority for the region. Skills Australia sees a role for these committees to advise on local skill shortages, and the solutions to better integrating skills with regional development priorities. It would be valuable for such bodies to provide this information on a comprehensive and more coordinated basis so it is available to all governments for planning and policy purposes.

The state and territory governments, through their economic development departments, undertake regional planning activities. Regional economic development plans typically include an analysis of current industry and employment in the region, the local population, the local workforce and opportunities for future development. It is vital that regional development advisory committees are connected with state training authorities to ensure that workforce development resources are linked to support economic opportunities.

Likewise, the connection at the local level between VET providers and local businesses can provide intelligence back up the line about emerging skills needs and opportunities.

Recommendation 11: Regional skills and workforce development

That the Australian Government require Regional Development Australia committees to develop regional workforce development strategies in consultation with other regional stakeholders, including local councils, registered training organisations, local employment coordinators, Chambers of Commerce and relevant state training authorities.



5 Aspiring to excellence

In this section, Skills Australia proposes that a shift should occur across the national VET sector to a central aspiration of excellence in the quality of teaching and learning outcomes. We recommend that this shift be achieved through a combination of five key inter-related strategies, comprising:

- a robust and properly resourced national VET regulatory system
- the introduction of eligibility criteria for providers that wish to supply publicly funded entitlement places
- a strengthened Australian Quality Training Framework (AQTF) that will lift the quality, rigour, validity and consistency of assessment outcomes through external validation
- high-quality and rigorous delivery of the Training and Education Training Package, which is central to building qualifications and capability in the VET workforce
- growing a professional and skilled VET workforce by building the depth and breadth of workforce qualifications and investing in a national VET workforce development strategy.

5.1 The case for improving the quality of teaching and learning outcomes

The response to Skills Australia's discussion paper suggests there is a lack of confidence in the integrity of national qualifications being delivered by training providers. Concern about the quality of training delivery and assessment is the single biggest issue identified across the 140 submissions received:

...management and quality assurance of RTOs is too focused on inputs rather than outcomes. Training Packages are industry's specification for outcomes and they leave the determination of appropriate learning and assessment strategies to the expertise of RTO personnel. But there are too many examples of individuals receiving a vocational qualification that should verify the competencies industry has specified but (they) do not in fact have them. It seems in many cases RTOs think finishing their course is sufficient to award certification rather than applying a robust and reliable assessment process that tells a candidate they have not yet achieved competency. Telling someone that they have achieved competency when they have not is a disservice to the individual and loses industry trust in the VET system.

| *Construction & Property Services Industry Skills Council submission*

...there are deep seated issues of consistency in quality of training that can only be addressed by changes to the system. Both employers and OHS professionals and practitioners regularly report their concerns on consistency and quality to us. From major variations in duration to quality of trainers and people being taught things that are just plain wrong.

| *Safety Institute of Australia*¹⁴⁷

While recent media reports on the poor experiences of some international students have put the spotlight on quality, feedback from industry stakeholders suggests that the concerns also relate to

147 See also, for example, submissions by Business SA and Minerals Council of Australia; Old Resources Council; Chamber of Minerals and Energy WA and SA chamber of Mines and Energy

the domestic sector and are longstanding. Lifting quality in training was the central theme of Skills Australia's Strategic Industry Forum in 2009:

The quality of skills education received by students and delivered by educational institutions is one of the most important platforms for Australia's future prosperity and for overcoming disadvantage. Industry, educational institutions and government must take the lead in making the significant and far reaching changes necessary to ensure the required quality of Australia's training system.¹⁴⁸

Our discussion paper identified a range of issues that are seen to be contributing to a lack of confidence in the quality of the VET sector. These issues resonated with the comments from submissions to the paper:

- inconsistent regulation, with current regulation seen to be ineffective in identifying poorly performing RTOs and acting speedily to resolve poor performance
- variable assessment practices
- insufficient transparency and inadequate data to properly assess performance
- the depth and breadth of essential professional requirements for practitioners in the sector.

This is not to suggest that there are not excellent training providers of all types and sizes whose central focus is the creation of high-quality learning experiences for their learners. The annual national and state and territory training awards are testament to this, as are the many examples recognised by industry.¹⁴⁹ Levels of employer and student satisfaction tracked by the Survey of Employer Use and Views of the VET System and the Student Outcomes Survey, both of which are conducted by the NCVER, suggest that the VET sector is doing well with good rates of client satisfaction. In 2009, employers' satisfaction with the VET system as a way of meeting their skills needs was 83.4 percent for employers with jobs requiring vocational qualifications.¹⁵⁰ In 2010, 88.9 per cent of graduates and 84 per cent of module completers were satisfied with the overall quality of the training, only slightly down on 2009 results.¹⁵¹ However, research that took the results of employer surveys from 2005 and 2007 to distil employer views about improvements sought found that, while less than 10 per cent of employers surveyed were dissatisfied with the system and three-quarters of employers engaged with the system thought it met their skills needs, significantly between 2005 and 2007, more employers thought training was of poor quality and a low standard.¹⁵² Clearly the challenge is to learn from those who find the experience is not meeting their needs and to move from patchy to systemic excellence.

The five key strategies outlined in this section will no doubt strike some as matters that have long been raised for necessary action to remedy concerns over quality across the sector.

However, we believe that incremental progress rather than significant reform on these actions over a decade or longer has allowed too much slippage. The sector now comprises some 5,000 RTOs, compared to the less than 2,000 that were estimated to exist in 1994 when the regulatory system

148 Skills Australia Strategic Industry Forum communiqué, November 2009

149 See for example Service Skills Australia's Innovative Providers Network which identifies and highlights good practice and the benefits to both industry and training providers of innovative industry focused training delivery, viewed at <http://www.serviceskills.com.au/innovative-providers-network>

150 NCVER (2009) *Australian vocational education and training statistics: Employers' Use and Views of the VET System*, viewed at <http://www.ncver.edu.au/publications/2188.html>

151 NCVER (2010) *Australian vocational education and training statistics: Student Outcomes 2010*, viewed at <http://www.ncver.edu.au/publications/2315.html>

152 Rittie, T and Awodeyi, T (2009) *Employers' Views on Improving the Vocational Education and Training System*, NCVER



was in early stages of development.¹⁵³ Shifting a system of this scale will require a determined and sustained commitment to reform. Governments will need to send strong signals that the quality bar has to be lifted.

We anticipate there will be views that these proposals will increase the regulatory burden. However, we believe there can be significant cost offsets for the majority of providers through an intelligent national approach to regulation that uses a number of levers to influence quality provision including:

- applying standards consistently and transparently, providing certainty and clarity for RTOs about expectations
- reducing the current focus on process and inputs which are reflected in provider complaints about regulatory burden and red tape
- focusing the most regulatory effort on the RTOs identified as highest risk, allowing those who are low risk and who are delivering high-quality training and assessment to expect a lower level of regulatory intervention
- identifying poor-performing RTOs and quickly and effectively resolving such performance, thereby sending strong signals to the market
- supporting and maintaining a highly trained professional audit workforce that works in partnership with industry experts to focus audits on achievement of high-quality teaching and learning outcomes
- publication of performance data as a further lever to influence high performance, discussed in detail in section 6
- providing a one-stop shop for AQTF regulation for providers in six jurisdictions and for all providers with cross-jurisdictional activity¹⁵⁴
- dissemination of excellence in practice identified through audits as a way of promoting and inspiring excellence, as currently occurs in the higher education sector
- maintaining a strategic overview of risks in the system and using this intelligence to inform continuous improvement of regulation so that it is set at the right level to achieve the outcomes sought, without imposing unnecessary costs and burdens.

Skills Australia recognises that many of these levers are currently being implemented across the states and territories with the aim of improving the quality of training provision. For example, all jurisdictions apply the AQTF *National Guideline for Risk Management*, but a previous review found that resourcing and difficulties in interpretation have led to variation in the extent of implementation of the guideline across jurisdictions.¹⁵⁵

Figure 5.1 provides an overview of the package of reforms that we propose to achieve excellence in the quality of teaching and learning outcomes by the sector.

153 Ryan (1996) noted that in 1994 the Allen Consulting Group described the training market as consisting of 704 TAFE institutions and around 1,000 private providers. Harris, R, Simons, M, McCarthy, C (2006) *Private training providers in Australia: Their characteristics and training activities*, NCVET

154 The COAG communiqué of 13 February 2011 advised that In recognition of the importance of skills and workforce development, COAG (with the exception of Victoria and Western Australia) agreed in principle to the Intergovernmental Agreement (IGA) for Regulatory Reform of Vocational Education and Training (VET) with sign-off by the end of February 2011. This agreement will establish a national VET regulator to drive better quality standards and regulation across the Australian VET sector. http://www.coag.gov.au/coag_meeting_outcomes/2011-02-13/index.cfm?CFID=4021802&CFTOKEN=76475078

155 KPMG (2008) *Formative Evaluation of the Implementation of the AQTF 2007* Department of Education, Employment and Workplace Relations, viewed at <http://www.training.com.au>

Figure 5.1 Aspiring to excellence — a package of reforms for the sector

QUALITY PILLARS		
Robust regulatory systems	A highly skilled VET workforce	Excellence in teaching, learning and assessment
KEY REFORM RECOMMENDATIONS		
A well-resourced and effective regulatory framework	<ul style="list-style-type: none"> • A strengthened TAE • High-quality delivery of the TAE • A VET workforce funding package and strategy 	<ul style="list-style-type: none"> • Mandatory external validation of assessment • New criteria for RTOs to be eligible as entitlement place providers

5.2 Building robust national VET regulation

Resourcing the national VET regulator for success

Submissions to the discussion paper indicate that many stakeholders have expectations that the establishment of the national VET regulator,¹⁵⁶ the Australian Skills Quality Authority (AQSA), will provide the opportunity to drive the necessary reforms consistently across the country to restore confidence in the teaching and learning outcomes of the VET sector. However, the regulator's success will depend on its being properly resourced to design and implement the reform process.

Data shows that VET quality regulation is considerably underfunded in comparison to the higher education sector. While the AQTF is a good starting point in terms of a set of standards, there has been a failure to invest adequately in effective implementation, evaluation and continuous improvement.

Skills Australia has significant concerns that this imbalance in funding is set to continue, potentially setting the new regulator up to struggle from the outset in its task of implementing reforms that are critical to the future of the sector. In the 2009–10 Budget, the Australian Government allocated \$57 million over four years to establish the Tertiary Education Quality and Standards Agency.¹⁵⁷ While precise numbers are not available, this agency will regulate in the order of 192 higher education providers. In the 2010–11 Budget, the Australian Government allocated \$55 million over four years for the operation of the national VET regulator and the National Standards Council.¹⁵⁸ AQSA is expected to regulate around 3,700 of the current approximately 5,000 RTOs.¹⁵⁹

156 The national VET regulator will operate as the Australian Skills Quality Authority from 1 July 2011. Australian Skills Quality Authority (March 2011) *National Update*, viewed at http://www.vetab.nsw.gov.au/docs/ASQA_update_March_2011.pdf

157 2009/10 budget information accessed at: http://www.deewr.gov.au/HigherEducation/Documents/PDF/Pages%20from%20A09-303%20Budget%20Fact%20Sheets-1_webaw.pdf

158 2010/11 budget information accessed

159 Information sourced from NTIS <http://www.ntis.gov.au/Default.aspx?glossary#n> and National VET Regulator, 10 February 2011



We acknowledge that there are many large providers in the higher education sector and thus more regulatory resources may be needed per provider. However we are also of the view that the VET sector's complexity, diversity and scale — arguably the most diverse of the Australian education system — as well as demonstrated quality problems in the sector place additional demands upon the levels of resourcing and skills base required for the national VET regulator if it is to operate effectively.

TAFE Directors Australia's response to the discussion paper points to this underfunding:

The 5001 RTOs are currently registered and audited by the relevant state and territory regulatory authorities. For example, the Victorian Registration and Qualifications Authority employs 50 staff for its registration, accreditation and quality assurance functions that cover schools, VET and Higher Education. The VRQA is responsible for around 1200 RTOs of which 17 are TAFEs. Even if all the VRQA's resources were devoted to regulation of RTOs which they are clearly not this would be a ratio of one staff member for every 24 providers. By comparison, there are currently 192 Higher Education Providers with the 39 universities (20 per cent) accounting for 95 per cent of the student load. The current Australian Universities Quality Agency (AUQA) employs approximately 45 staff, a ratio of around one staff member for every four providers.

One way to secure effective levels of resourcing is through appropriate fee structures that support ongoing regulatory operations. We are of the view that, while the fee structure might commence with co-funding of regulation by governments and providers, there is a strong case for moving towards full cost recovery with the ultimate objective of the regulator maintaining its functions through self-funding. This conclusion is based on the following funding principles:

- Investment in good practice regulation provides benefits to all by building a stronger market and improved products, services and outcomes that generate public confidence and increased business.
- High-quality providers (and those who meet the higher-level quality criteria outlined later in this report) will pay less, as they can expect a lower level of regulatory intervention.
- The full cost recovery model is also based on the assumption that the national VET regulator is able to retain revenue generated.

Contemporary good practice regulation

Regulatory models should reflect contemporary standards and be informed by a system-wide, strategic overview that can drive continuous improvement in the regulatory approaches. They should also incorporate capacity for an educative role that can drive good practice.

We fully support the provisions of the *National Vocational Education and Training Regulator Act 2011*. It includes broad and strategic functions for the new regulator in relation to giving advice and making recommendations about VET across all jurisdictions, as well as analysis and dissemination of VET information.¹⁶⁰ This should enable AQSA to take a 'helicopter view' of system-wide risks to the quality of training outcomes and facilitate dissemination and adoption of excellence in practice across the sector.

¹⁶⁰ National VET Regulator Act (2011) section 157, viewed at <http://www.comlaw.gov.au/Details/C2011A00012>. The legislation received Royal Assent on 12 April 2011

However, we note that the Act is silent about the relationship between the National Standards Council and the national VET regulator. As the National Standards Council will advise the Ministerial Council for Tertiary Education and Employment on the standards that RTOs will be required to meet and the regulator will administer the standards and gather intelligence about their impact 'on the ground' and at a system level, this potentially disconnects a continuous improvement feedback loop that can inform revision of those standards.

We therefore propose that there be a formal mechanism to ensure that systemic quality issues identified during administration of the standards are fed back to the National Standards Council and Ministerial Council to drive continuous improvement of the regulatory framework and to support identification and resolution of systemic quality issues.

We recommend that a formal link be established between the two bodies through representation of AQSA on the National Standards Council. This will ensure that the Ministerial Council receives advice that has been informed by a strong connection between the standards-setting body and the body responsible for regulating the implementation of the standards. It will provide a firm evidence base for strengthening the standards if and when weaknesses in the regulatory framework are detected.

We believe that this proposal does not compromise appropriate separation of functions and does not prohibit the national VET regulator representative from declaring any relevant conflicts of interest in accordance with customary good governance practice. Consideration could also be given to the National Standards Council and the national VET regulator providing advice and recommendations through a joint annual report to the Ministerial Council on system-wide quality issues that have been identified for action. However it would be important to ensure that this did not compromise each body's right to provide independent advice or to hold differing views based on their experiences in their respective roles.

5.3 Eligibility criteria for providers to deliver entitlement places

Strong views were expressed by respondents to the discussion paper that the national quality, regulatory and information regimes are not yet in place to withstand any radical changes to VET funding regimes and that there continue to be examples of poor delivery. There were concerns that a national VET entitlement model may attract poor-quality providers that cannot be appropriately monitored. TAFE NSW commented in its submission:

There is a significant risk that, in the absence of nationally consistent and rigorous regulation and with limited access to reliable information, the introduction of entitlements may lead to wasted training effort in low quality providers and programs.



For this reason we recommend the introduction of eligibility criteria for providers to supply publicly funded places. The details of these criteria would be subject to the advice of the national VET regulator to ensure simplicity and synergy with the new national regulatory regime. Criteria for consideration include:

- the performance history of the supplier in learner outcomes or deliverables achieved in former government contracts
- professional capability such as qualifications of staff and management
- length of time in provision of the relevant qualifications
- demonstrated track record in business including rating as a low-risk provider for a number of years
- the range of partnerships with other services and enterprises and of support services for learners.

The above measures would be complemented by increased public information on provider performance to inform individual and enterprise choice. Such transparency enhances regulation by empowering clients directly and providing incentives to providers to achieve excellence in outcomes. Further information about transparency of information and outcomes, together with a funding regime that includes performance incentives is provided in section 6.

Recommendation 12: Building robust national VET regulation

That Australian governments agree:

- a) the national VET regulator, the Australian Skills Quality Authority (ASQA), be resourced to drive the fundamental change required to achieve a world-class VET sector acknowledged for its high-quality teaching and learning outcomes
- b) the fee structure established for ASQA move towards full cost recovery and revenue retention with the ultimate objective of the regulator maintaining its functions through self-funding
- c) to ASQA's representation on the National Standards Council to enable greater collaboration between the two bodies
- d) to include in the functions of ASQA the role of identification and dissemination of examples of excellence in provider practice to drive continuous improvement in teaching, learning, and assessment, and learner support
- e) to implement criteria that RTOs must meet to become eligible providers of publicly funded entitlement places. ASQA should identify appropriate criteria and provide advice to governments. ASQA should also advise how such criteria might most efficiently interact with the national regulatory regime to ensure minimum regulatory burden.

5.4 Strengthening the AQTF

Mandating external validation of assessment

Expert and consistent assessment is fundamental to the integrity of VET qualifications. Our discussion paper identified a range of concerns about variation in assessment practices across the VET sector and between qualifications that is affecting confidence in the outcomes of the sector.

The discussion paper sought feedback on the proposal for a system of external moderation and validation of assessment with industry input and noted that such processes would need to be implemented in a way that ensures independent scrutiny and consistency across RTOs, industries and jurisdictions. Many responses to the discussion paper were strongly in support of external moderation and validation, although there was more diversity of views in relation to how this might occur.¹⁶¹

It is essential to achieve national standards across all training packages and jurisdictional areas. Currently this does not exist and is of particular concern in areas where there is variance between qualifications at the same AQTF level ... Moderation is a concept we strongly support.

| *Confidential submission*

Inconsistencies in assessment continue to be a concern to the minerals sector and there is a clear role for independent bodies to moderate and validate assessment regimes. ISCs provide an existing vehicle for such engagement, but will need necessary legislative and resourcing support to enable a role in moderation and review of assessment in future.

| *Minerals Council of Australia; Queensland Resources Council; Chamber of Minerals & Energy, Western Australia; and South Australian Chamber of Mines and Energy joint submission*

RTOs should demonstrate that they have a formal process for obtaining moderation and provide evidence on particular qualifications under their scope—this needs to be nationally consistent. National ISCs could facilitate improvement with assessment by providing assessment tools and supporting resources—some national ISCs already do this.

| *Food Fibre and Timber Industry Training Council submission*

In fact the National Quality Council has focused its attention on the quality of assessment since 2006. In 2008 an investigation commissioned by the council into industry expectations of VET assessment found that 59 per cent of industry respondents to surveys expressed concerns about consistency in the way assessment is conducted.¹⁶² Over the past two years the council has developed a suite of research and tools to strengthen assessment practice. Standard 1.5 of the Australian Quality Training Framework has also been amended to require all assessment to be

161 The National Quality Council's Implementation Guide to Validation and Moderation notes that validation and moderation have been used interchangeably in the VET sector but have distinctive features. For the purposes of this report we use the term 'validation' because it has the following key features: it is focused on quality review; it has as its primary purpose continuous improvement; it is able to be broadly based, considering both the assessment process and assessment judgements; it can be based on sampling of tools and assessments; and it makes recommendations for future improvements to assessment processes and/or outcomes. See NQC (2009) *Implementation Guide: Validation and Moderation*, viewed at http://www.nqc.tvetaustralia.com.au/nqc_publications/publications

162 NQC (2008) *Investigation into Industry Expectations of Vocational Education and Training Assessment*, viewed at http://www.nqc.tvetaustralia.com.au/__data/assets/pdf_file/0007/46177/NQC_VET_Assessment_Report_-_V8_ONLINE.pdf



systematically validated by RTOs. Notwithstanding the significant body of work undertaken by the council, which can help to drive good practice and build confidence, Skills Australia is of the view that additional regulatory action is required.

Lifting the rigour, consistency and quality of assessment is an issue of such significance to our aspiration of excellence as the cornerstone of the VET sector that it warrants a proposal to amend the Australian Quality Training Framework to require mandatory external assessment validation. This would consider both the assessment process, including the tools used, and the assessment outcomes. This proposal is intended to complement and strengthen the requirements of standard 1.5 of the Australian Quality Training Framework outlined above.

This would mitigate at least one high-risk activity in the sector—the practice of allowing providers to both do assessments and issue credentials.¹⁶³ External validation could be undertaken by RTOs annually on a sample of assessments in accordance with a set of guidelines issued by the National Standards Council. The guidelines would address issues such as:

- the composition of expert panels to be established by RTOs for the purposes of the independent validation, including industry experts and other independent experts with expertise in teaching, learning and assessment
- the range of assessments that should be sampled across features of the RTO's business such as scope of registration, the types of enterprises and learners served, on- and off-the-job assessments, and mode of assessment.

We propose that monitoring occur through the national VET regulator and that sample audits might include a role for industry experts such as industry skills councils together with experts in teaching, learning and assessment.

Such a practice should be seen as an integral part of excellence in teaching and learning that mirrors standard practice in other education sectors rather than as an additional regulatory burden.

To underscore the significance of this reform and elevate its importance as a key driver of excellence, we also recommend that the requirement be incorporated into the next intergovernmental resourcing agreement.

Recommendation 13: Implementation of mandatory external validation of assessment

That Australian governments agree to:

- a) reform the Australian Quality Training Framework to include implementation of mandatory external validation of providers' assessments, both on and off the job
- b) incorporate the requirement for registered training organisations to undertake external validation as a feature of the next intergovernmental resourcing agreement for the sector.

163 It is noted that in many countries providers are not permitted to issue credentials until they have undergone training and mentoring. In the UK for the first 20 years polytechnics were not permitted to award their own degrees. These were quality assured and awarded by an external agency, the Council for National Academic Awards. See <http://www.education.ed.ac.uk/aboutus/morayhouse/history/Part8/Part8-CNAA1.pdf>

Client voices driving continuous improvement in teaching, learning and support services

Responses to the discussion paper also argued that continuous improvement should be driven by client feedback and that providers should have a mechanism to listen to and incorporate client feedback in product and services design and implementation. The National VET Equity Advisory Council (NVEAC) has proposed in its equity blueprint that the council will identify a range of effective models for listening and responding to the learner voice which it will disseminate throughout the sector.¹⁶⁴ In its submission to the discussion paper, NVEAC suggests that:

The regulatory framework and provider accountability requirements need to place more emphasis on obtaining learner input and feedback, particularly from disadvantaged learners, to drive continuous improvement in the design and implementation of the system.

We agree with the council's contention that clever system design is driven by the continuous improvement that comes from listening to client feedback and incorporating client input. However, due to lack of transparency in the sector, it is unclear whether and how this occurs and there is no mechanism for disseminating good practice. We are of the view that the council's work to identify effective models for incorporating client feedback could be usefully complemented and strengthened by the proposed role of the national VET regulator in dissemination of examples of excellence in provider practice. This, together with reforms regarding publication of outcomes as outlined in section 6, will provide an added incentive to drive quality, transparency and continuous improvement.

5.5 High-quality and rigorous delivery of the Training and Education Training Package

Our discussion paper outlined ongoing concerns about the alleged variable quality in the delivery of the Training and Education (TAE) Certificate IV in Training and Assessment. Skills Australia has learned about delivery that occurs in a matter of a few days and cases in which RTOs deliver to and assess their own staff without independent scrutiny. A quick web search will identify many providers offering five-day programs. The Western Australian Training Accreditation Council report on its participation in the national strategic audit of the precursor to the Certificate IV (TAE), the Certificate IV in Training and Assessment (TAA), based on an audit of 24 RTOs, outlined its findings as follows:

The audit found a wide variation in the level of compliance. 50 per cent of the RTOs audited were compliant with the Standards and provide a first class program and support services to learners. The other 50 per cent who were found to be non-compliant had issues with learning and assessment strategies and evidence gathering tools that do not meet the requirements of the training package and poor record keeping systems.¹⁶⁵

164 NVEAC (2011) *National equity blueprint 2011–2016*, viewed at <http://www.nveac.tvetaustralia.com.au>

165 Western Australia (2010) National Strategic Industry Audit TAA40104 Certificate IV in Training and Assessment Final Report, viewed at <http://www.tac.wa.gov.au>



The Productivity Commission has recommended that the Certificate IV in Training and Assessment should maintain its status as a high-risk qualification¹⁶⁶ and that auditing of RTOs with this qualification on scope needs to be more frequent and more intensive.

Concerns about the quality of delivery of the Certificate IV in TAE are long-standing, persistent and supported by recent audit evidence. Audits need to be more frequent and intensive, and audit results should be made public.¹⁶⁷

We support this recommendation but consider that it does not go far enough. There is sufficient evidence of system-wide weakness and the failure of the current regulatory approach to support concerted action on a number of fronts, including not only more intensive auditing but the imposition of higher-level requirements for initial and renewal registration for providers that seek to deliver this qualification.

This lifting of requirements becomes imperative if the Productivity Commission's recommendation to increase the number of teachers and trainers with the Certificate IV is accepted. While we support the proposal to broaden coverage of qualifications across the VET workforce, there is a risk that unless stronger quality arrangements are in place, there will be a 'rush' of providers into the market to meet the increased demand, thus potentially causing low-quality delivery of this central qualification to become more widespread.

Submissions to other consultation processes have supported the strengthening of requirements:

In the consultations and submissions to the options paper it was suggested that RTOs that have, or seek to have, the Certificate IV on their scope of registration be required to meet more stringent requirements than those for other qualifications given that the VET teaching/training qualification underpins the quality and integrity of the VET system and public and industry confidence in it. This would be a requirement of the AQTF. Additionally, it has been suggested that teachers/trainers teaching the Certificate IV be required to have a higher-level teaching/training qualification to ensure the quality of provision.

This report recommends that the entry level qualification that new teachers/trainers undertake be the Certificate IV (TAE) that is nested in higher level teaching qualifications. It also recommends that RTOs that have the Certificate IV (TAE) on their scope of registration be required to demonstrate higher level requirements in their AQTF audits. This includes requiring those delivering the Certificate IV to have higher level teaching/training qualifications and demonstrated experience as a teacher/trainer.¹⁶⁸

Higher-level requirements are already imposed in some jurisdictions. For example, New South Wales advises that those applying to have the Training and Education Training Package qualifications on their scope will be assessed by a small specialist pool of auditors and the evidence required will be more extensive.¹⁶⁹ The South Australian Training and Skills Commission's Five Year Plan for Skills and Workforce Development states:

166 Australian Government (2010) *AQTF National Guidelines for a Registering Body*, page 19 states 'Applicants/RTOs assessed as higher risk in terms of the likelihood of negative impacts on quality outcomes for clients, and of potential impact on the vocational education and training (VET) system more broadly, will receive more regular monitoring and attention from their registering body, with the aim of ensuring ongoing compliance through improved performance outcomes' (*emphasis added*). The practical impact of this is that TAE provision is rated as higher risk.

167 Productivity Commission (2010) *Vocational Education and Training Workforce Draft research report*, Chapter 8, p. 8.1, <http://www.pc.gov.au/projects/study/education-workforce/vocational/draft>

168 Wheelahan, L and Moodie, G (2011) *The quality of teaching in VET: final report and recommendations*, p.36, <http://austcolled.com.au/announcement/study-quality-teaching-vet>

169 NSW VETAB (September 2010) *Initial Application Guide*, http://www.vetab.nsw.gov.au/docs/initial_application_guide.pdf

As the main underpinning qualification to the quality of what the VET system offers, the Commission believes that there is a case for placing limitations on which providers can deliver the Certificate IV (TAE). Providers might be subject to a more rigorous audit in getting the course on scope.¹⁷⁰

The Western Australian report on the outcomes of its participation in the national strategic audit include an ongoing audit strategy for existing RTOs; risk assessment of RTOs seeking to add the qualification to their scope; provision of a business case by RTOs applying to deliver the qualification for the first time; and continuous professional development of trainers and assessors, in particular, around assessment.¹⁷¹

Missing in these higher-level requirements is a discussion of how to incorporate into the regulatory framework systemic expertise in teaching and learning that drives excellence in standards. In higher education it is a common practice for providers to have formal academic and faculty boards that are involved in both the accreditation of programs and the monitoring of educational outcomes. These are not yet universal in VET institutions. Best practice suggests that governing bodies or boards of directors of VET providers should have quality and standards committees, composed of experts in teaching and learning and in competency-based training, that monitor educational performance and outcomes on a regular basis. While the ideal would be to see all RTOs implement this practice, we consider that a solid first step would be to incorporate this best practice approach into additional requirements to be met by RTOs that deliver the Training and Education Training Package.

We therefore recommend that providers seeking registration to deliver qualifications in the Training and Education Training Package be required to meet AQTF standards and in addition must:

- demonstrate a track record in delivery of nationally recognised qualifications in an industry area other than the TAE for a period of at least two years
- show evidence that governance arrangements include expertise in teaching and learning and competency based training and that this expertise is used to monitor and improve learning outcomes
- demonstrate a track record in ongoing formal professional development of their staff
- meet a requirement for an external validation conducted by an expert validation panel before initial and renewal registration.

This will ensure that providers have already accrued experience in VET teaching and training before they expand their scope to the Training and Education Training Package. They will demonstrate that they are committed to excellence in practice through strong governance arrangements that drive improvements in outcomes, and through their track record of continuing professional development of their staff. Finally, their outcomes can withstand independent scrutiny through external validation. While some of these requirements may formalise what is already in place across a number of jurisdictions, when they are mandatory it will send a strong signal to the market about the centrality of this qualification to the sector and the seriousness of efforts being made to lift quality.¹⁷²

170 Government of South Australia Training and Skills Commission (2010) *Skills for Jobs The Training and Skills Commission's Five Year Plan for Skills and Workforce Development*, <http://www.tasc.sa.gov.au/Aboutus/SkillsforJobsfiveyearplan/tabid/126/Default.aspx>

171 Western Australia *National Strategic Industry Audit TAA40104 Certificate IV in Training and Assessment Final Report*, pp. 3–4

172 The NQC's submission to the Productivity Commission's draft research report into the VET workforce indicates that at the time of its submission stage 2 research for the national strategic audit of the Certificate IV in the TAA was nearing completion. See http://www.pc.gov.au/__data/assets/pdf_file/0016/106630/subdr076.pdf



We also recommend that those delivering and assessing the Certificate IV in Training and Assessment be required to hold a higher-level qualification and demonstrated experience as a teacher/trainer.¹⁷³ The argument that an entry-level qualification is suitable for training others in that same entry level qualification cannot be sustained.

There may be arguments that imposing additional requirements for RTOs that deliver the Training and Education Training Package would potentially weaken the credibility of the AQTF. The counter-argument is that TAE graduates hold a central and unique place in the VET sector. They are responsible for training much of Australia's workforce (and for supervising others who do so) and the quality of their work directly affects the credibility of Australia's nationally recognised qualifications.

Finally, we note that the Productivity Commission's draft report recommends that:

Industry and Business Skills Australia should amend the Evidence Guide for TAEDEL401A to require those seeking to demonstrate competence at the Certificate IV level to prepare and deliver at least four consecutive supervised training sessions. An assessor from outside an RTO delivering the unit should evaluate a student's competence through observation of two of these sessions.¹⁷⁴

This recommendation is supported as a mechanism to lift the quality and rigour of assessment of the Certificate IV. This requirement will also effectively cease the alleged practice of RTOs delivering and assessing the TAE Certificate IV in Training and Assessment for their own staff without independent scrutiny. This will provide the appropriate arm's length separation between those RTOs registered to deliver the package and their staff who are being trained in this area.

Recommendation 14: High-quality and rigorous delivery of the Training and Education Training Package

That Australian governments agree that:

- a) providers seeking registration to deliver the Training and Education Training Package (TAE) must meet the Australian Quality Training Framework standards and in addition:
 - demonstrate a track record in delivery of nationally recognised qualifications in an industry area other than the TAE for a period of at least two years
 - show evidence that governance arrangements include expertise in teaching and learning and competency-based training and that this expertise is used to monitor and improve learning outcomes
 - demonstrate a track record in ongoing formal professional development of their staff
 - meet a requirement for an external validation conducted by an expert validation panel before initial and renewal registration
- b) teachers who train and assess the Certificate IV in TAE must have higher-level qualifications than the Certificate IV and demonstrated experience as a teacher/trainer
- c) those seeking to demonstrate competence at the level of the Certificate IV in TAE must prepare and deliver at least four consecutive supervised training sessions, two of which are assessed by an assessor independent of the registered training organisation delivering the qualification.

173 It is noted that this recommendation is also made by the LH Martin report. In addition, IBSA, the Industry Skills Council with responsibility for maintaining and continuously improving the Training and Assessment Training Package has proposed in its submission to the Productivity Commission that the AQTF be amended so that it would be a requirement that trainers and assessors delivering the Certificate IV in TAE either hold the revised Diploma of Training and Assessment or be able to demonstrate competency against all the units required in the Diploma qualification. See http://www.pc.gov.au/__data/assets/pdf_file/0003/106617/subdr074.pdf

174 Productivity Commission *Vocational education and training workforce: Draft research report*, draft recommendation 8.3

5.6 Growing a professional and skilled VET workforce

Investing in excellence

At the front line of excellence in teaching and learning outcomes is a professional and well-supported VET workforce.

And yet since the national professional development program Reframing the Future closed at the end of 2008 there has been no national broad-based VET workforce development program. At that time governments agreed that responsibility for VET workforce development rested with the states and territories and they would manage this responsibility in line with the specific needs of their jurisdictions. Many jurisdictions have excellent programs for development of the VET workforce or are planning to increase their commitment in this area:

DFEEST will provide increased support to the VET sector in building capability through targeted professional development initiatives that address contemporary education and training and workforce development practice.¹⁷⁵

However, Skills Australia believes that without a unified national strategy for building VET workforce capability, there is no mechanism for capitalising on lessons learnt from jurisdictional efforts and there is a risk of fragmenting investments and benefits. A national strategy would ensure VET workforce development is seen as a priority area that is critical to achieving excellence in learning outcomes and supporting the reforms in the quality arena. This would build on the national momentum to 'recharge' and renovate the profession as observed in submissions to the discussion paper. This does not need to compromise jurisdictional initiatives based on their own identified needs but instead could focus on the commonality of challenges that face the VET workforce.

Diverse learner needs and new practitioner roles

In *Australian workforce futures* we outlined the challenges for the VET workforce in addressing the learning styles of an increasingly diverse learner cohort, including disengaged and disadvantaged learners.

Our discussion paper notes that this diverse cohort includes international students who bring with them a variety of motivations, learning styles, cultural differences and learner support needs. Although the international education market is undergoing a period of adjustment following a rapid period of growth, with VET commencements down 8.9 per cent in 2010 from 2009 figures,¹⁷⁶ the international student market remains an important export industry for Australia. The quality of learning and support experiences for these students is fundamentally important to maintain the strength of the industry but this places significant demands on VET practitioners, who need a diverse range of skills to meet their needs.

175 Government of South Australia (2009) *Skills For All*, viewed at <http://www.dfeest.sa.gov.au/AboutDFEEST/Strategiesplanspolicies>, p 27

176 Information sourced from Australian Education International 2010 end of year summary data, viewed at http://www.aei.gov.au/AEI/Statistics/StudentEnrolmentAndVisaStatistics/2010/2010Dec_MonthlySummary_pdf.pdf



Mitchell and others have described the emerging ‘new practitioner’ as one who satisfies the increasing expectations of industry clients and individual students:

This progressive practitioner can customise programs to suit enterprises and personalise learning activities to suit the individual. The new VET practitioner lets go of the old certainties, like pre-set curriculum and didactic instruction and develops attributes, attitudes and ideas and techniques that meet the needs of clients. The new practitioner looks outwards at market needs and seeks to meet those needs ... Notably these features and attributes represent a new hybrid mix of educational and business thinking infused with values such as a commitment to service and quality.¹⁷⁷

In our discussion paper, we proposed that VET providers could contribute significantly to workforce development in enterprises, beyond delivering training in the workplace. This broader role will require a more entrepreneurial approach and a good knowledge of career and job design and organisational development, working closely with enterprises to help make better use of their employees’ skills. It will demand new skills of providers.

New skills for the digital learning future

A number of submissions to the discussion paper and other consultation processes pointed out other demands that are expected to impact on the skills of the VET workforce, including the development of the National Broadband Network and its potential for access to learning in rural and remote Australia. In its recent submission to the draft Equity Blueprint released by the National VET Equity Advisory Group, the Flexible Learning Advisory Group (FLAG) put it this way:

FLAG firmly believes that digital literacy will need to feature as part of the core skill set for all VET practitioners and not just those in ICT related areas.

E-learning is recognised as a flexible and cost-effective means of engaging and empowering learners, including those experiencing disadvantage.

The rollout of the National Broadband Network (NBN) and the Vocational Education Network (VEN) is also expected to significantly increase the demand for flexible training options, with learners gaining access to high speed internet connections up to 100 times faster than they currently experience. This is of particular relevance to learners living in regional and remote communities, as under the Regional Backbone Blackspots Program they will receive priority rollout of competitive ‘backbone’ links.

As the demand for flexible training continues to grow, so too does the need for high-level skills that will optimise learner experiences and outcomes. There is an expectation that practitioners will not only know how to use the technologies but how to integrate them into teaching practice in an innovative way.¹⁷⁸

The discussion that follows proposes that investment in a national VET workforce development strategy should encompass development of skills to meet the needs of learners and enterprises in the digital economy. In section 7 of this report we also point out the need for an integrated policy approach that links the development of the VET broadband infrastructure to development of quality products fit for purpose for digital learning, robust regulation of the quality of delivery using digital media, and development of VET workforce skills.

177 Mitchell, J et al. (2006) *Quality is the key: Critical issues in teaching, learning and assessment in vocational education and training*, NCVET

178 FLAG submission to NVEAC *Equity Blueprint 2011–2016—Creating Futures: Achieving Potential through VET*
http://www.nveac.tvetaustralia.com.au/home/nveac_projects/equity_blueprint

A national VET workforce development strategy

Clearly, Australia is asking a great deal of its VET workforce. We therefore reiterate the proposal outlined in *Australian workforce futures* that Australian governments should develop and implement a national VET workforce development strategy with an investment of \$40 million per year over the next six years.¹⁷⁹ While the proposal in *Australian workforce futures* focused on the tertiary education sector, we now propose that the VET sector be the focus of this reform, given the scale and scope of the challenges faced in the sector. Further reference is made to this investment in the VET workforce in section 9.

There are arguments that responsibility for VET workforce development sits squarely with RTOs as the employers. However, in identifying it as an issue critical to lifting quality in the system, there are also arguments that there are public good benefits to be achieved by a higher level of public investment.

We see a national strategy as providing the ‘scaffolding’ for a diversified qualification structure, strong continuing professional development strategies, incentives for achieving broader and deeper qualification levels, and driving excellence in teaching and learning. The strategy could also focus on some of the capability gaps identified by the Productivity Commission study, including that:

- there is tentative evidence of capability gaps relating to delivery of higher-level qualifications and among VET managers and leaders
- industry currency is not well researched or understood and there is evidence of currency gaps in the current workforce.¹⁸⁰

Finally, the strategy could also complement other work proposed including the Productivity Commission’s draft recommendation for NCVET to investigate quality teaching determinants¹⁸¹ and Wheelahan and Moodie’s proposed investigation of standards for VET teachers/trainers.¹⁸²

179 *Australian workforce futures*, p.12

180 Productivity Commission *Vocational Education and Training Workforce Draft research report*, pp. 8.1–8.3

181 *Ibid*, draft recommendation 7.2

182 Wheelahan and Moodie *The quality of teaching in VET: final report and recommendations*, p.11



Proposed features of a national VET workforce development strategy

- Affirmation of the Certificate IV in Training and Assessment (TAE) as the appropriate entry level qualification for VET teachers and trainers.*
- Establishment of a qualification structure that supports development of different levels of expertise and specialisation for VET practitioners but that avoids a mandated 'one-size-fits-all' approach, which might discourage industry people from becoming VET practitioners.
- A strong focus on continuing professional development to encompass permanent, part-time, and casual staff as well as those who work in a range of different contexts—providers, enterprises and schools.
- Continuing professional development strategies for maintaining industry currency, and developing capability in:
 - new practitioner, leadership and entrepreneurial roles
 - new skills to meet emerging industry and learner needs and the needs of the digital economy.
- A range of incentives that could be utilised by RTOs to encourage practitioners to undertake higher-level qualifications.
- A range of incentives that can encourage partnerships between VET and higher education institutions for co-delivery of higher-level qualifications and for joint research into high quality teaching and learning issues.
- A national program to promote excellence in teaching, learning and assessment.

* We note that the recent draft Productivity Commission report has concluded that the Certificate IV (TAE), when well taught, is an appropriate qualification for the development of essential foundation competencies for VET practitioners.

Deepening the skills and qualifications of the VET workforce

Ensuring a solid teaching base

The drive towards excellence in teaching and learning outcomes must be underpinned by an appropriately skilled workforce. Skills Australia notes the Productivity Commission's conclusion that many VET trainers and assessors do not possess the Certificate IV (TAE) or equivalent educational qualifications. We also note the difficulty in obtaining accurate data and that this issue will be the subject of investigation for the commission's final report. The National Quality Council, in its submission to the Productivity Commission's draft research report, has highlighted the fact that many practitioners would have demonstrated equivalency with the competencies in the qualification on the basis of prior studies, ongoing professional development and currency within their job role.¹⁸³ This suggests that the raw numbers may underestimate the stock of skills.

Despite the challenges that poor data presents for understanding the picture of qualifications held by the VET workforce, we believe that broadening and deepening the skills base is a worthy objective. We support the Productivity Commission's draft recommendation that new VET practitioners should either hold the Certificate IV (TAE) or be working towards obtaining it within two years of commencing employment. We propose that the transition period during which existing VET practitioners should be required to gain a full Certificate IV be two years.

183 NQC Response to the Productivity Commission Draft Research Report on the VET Workforce, viewed at http://www.pc.gov.au/__data/assets/pdf_file/0016/106630/subdr076.pdf

However, we are aware that this recommendation may provoke a 'rush' of providers into the TAE market, exacerbating current quality concerns. Therefore we propose that this requirement not be introduced until the new national regulatory regime has been established and rigorous processes are in place to ensure quality is not compromised.¹⁸⁴ It is expected that this will progressively reduce the number of VET practitioners working under supervision and without the Certificate IV (TAE) from 2011 when the national regulatory arrangements are put in place, so that by 2013 all VET practitioners should hold the qualification (or its equivalent).¹⁸⁵

The proposed National VET Workforce Development Strategy will also support achievement of the objective to broaden and deepen the skills base of the VET workforce.

More diverse professional and career pathways

Our discussion paper canvassed the need for the development of more diverse professional pathways for VET practitioners. We expect this will be necessary, given the variety of contexts in which VET teachers and trainers operate, the need to maintain industry currency in a rapidly changing world of work, and the challenge of meeting the learning and support needs of an increasingly diverse range of learners.

We support the recommendations of Wheelahan and Moodie,¹⁸⁶ who propose a broader range of entry level and higher-level qualifications that recognise specialisations and provide career pathways. We have already proposed that the TAE Training Package should provide the 'scaffolding' for a qualifications structure that reflects the diverse roles of VET and workplace practitioners, providing both entry-level and higher-level qualifications, including areas of specialisation and pathways to higher education. We note that Innovation & Business Skills Australia is undertaking work to develop a range of high-level qualifications and is proposing the development of a large and diverse bank of units that could meet VET practitioners' professional development needs at various levels.¹⁸⁷ We support this work and suggest it should be accelerated. We also encourage higher education providers to develop VET-relevant educational qualifications to support practitioner development and facilitate research in the VET sector.

Assisting learners with foundation skills needs

Australian workforce futures and the VET discussion paper argued that language, literacy and numeracy (LLN) skills are fundamental for improved workforce participation, productivity and social inclusion and that Australia must markedly lift its performance in this area if COAG's objectives are to be achieved.

To support this agenda, we have proposed that the entry-level qualification of the Certificate IV (TAE) should include competency in relation to identifying LLN or foundation skills to ensure all practitioners are equipped to effectively modify training and assessment so it responds to learner

184 NQC Response to the Productivity Commission Draft Research Report on the VET Workforce, viewed at http://www.pc.gov.au/__data/assets/pdf_file/0016/106630/subdr076.pdf

185 It is noted that the NQC's determination of 17 June 2010 provides a two year period to June 2012 by which time trainers and assessors already in the workforce must either hold the Certificate IV in TAE or be able to demonstrate equivalent competencies. However the policy still permits practitioners to work without qualifications as long as they work under the direct supervision of a person with the required competencies. This does not address our concern that there is a need to decrease the number of practitioners working under supervision without qualifications.

186 Wheelahan and Moodie *The quality of teaching in VET: final report and recommendations*, p.36

187 See for example, IBSA's website <http://www.ibsa.org.au/news-and-projects/news/tabid/112/articleType/ArticleView/articleId/127/Review-of-Diploma-of-Training-and-Assessment-50104.aspx> and IBSA's submission to the Productivity Commission's draft research report on the VET workforce, http://www.pc.gov.au/__data/assets/pdf_file/0003/106617/subdr074.pdf



needs and to seek out specialist assistance when needed.¹⁸⁸ We note that Innovation & Business Skills Australia has signalled its intention to move the LLN elective in the TAE Training Package from elective to core in the Certificate IV (TAE) in three years' time. We consider, however, that this revision should occur as a priority.¹⁸⁹

However, even when this occurs, it is only one strategy and there is also a need to reconceptualise the VET sector's products to better support teachers and trainers to meet diverse learning needs. This issue is addressed further in section 7.

Flexibility to reward excellence

In an increasingly competitive market in which purchasing VET services is based on the excellence of teaching and learning outcomes, both public and private providers will need to have the flexibility to attract, retain and reward staff who are passionate about creating high-quality learning experiences.

NCVER research investigating how VET organisations are building capability in an environment of ongoing change found that:

There are many internal and external constraints on the VET system that create challenges for training providers, and include government regulations, governance arrangements, history and traditions, industrial agreements, community roles, organisational size and geography. They impact on the promotion of commitment to organisational strategy, strategic choices made, formation of human resource practices, leadership and management development, fostering of learning environments, availability of and access to career opportunities, and, importantly, on relationships with key stakeholders.¹⁹⁰

Follow-up work by Guthrie and Clayton found that TAFE providers need to be free of unnecessary central constraints to manage their human resources in ways that best meet their strategic business needs.¹⁹¹

We have proposed that, if public providers are to survive and flourish in an increasingly competitive environment, they must have the means to attract, recruit, manage and retain appropriate staff. In section 4 we also discuss the need to articulate the role of the public provider in a market-based sector.

VET workforce data to inform workforce planning and development

Concerns about the availability and adequacy of VET workforce data on which to base decisions about planning and development have been longstanding. In 2004 Dickie and others noted:

In recent years several national reports have been produced on the issue of VET data collection. Findings noted that:

- One important area that is poorly served is data on the national VET workforce
- Only two workforce fields are collected on a national basis, namely age and sex

188 See foundation skills definition at footnote 22

189 See IBSA's website, <http://www.ibsa.org.au/news-and-projects/news/tabid/112/articleType/ArticleView/articleId/127/Review-of-Diploma-of-Training-and-Assessment-50104.aspx>

190 Harris, R et al (2007) *Supporting VET providers in building capability for the future*, NCVER

191 Guthrie, H and Clayton, B (2010) *Building capability in vocational education and training providers: the TAFE cut*, NCVER

- There are no consistent definitions of core concepts such as teacher and employee
- When information is collected through different mechanisms, there is a large disparity in such areas as numbers employed, employment status information, the qualifications of professionals and so on.¹⁹²

More recently the Productivity Commission noted that better data—particularly covering the private VET sector—is urgently required to inform policy strategies and assist with workforce planning. We strongly support this recommendation:

Lack of quality data is an obstacle to effective policy making at the jurisdictional and national levels and workforce planning at local and industry sector levels. It also hinders efforts to improve the capacity and capability of the workforce. There is a need for a new comprehensive instrument with which to better identify and measure the VET workforce, especially with respect to private sector activity. This instrument should be designed by the National Centre for Vocational Education Research and implemented in a way that does not unduly increase the response burden for providers, yet gives them, policy makers and other stakeholders access to an improved evidence base.¹⁹³

Recommendation 15: Growing a professional and skilled VET workforce

That Australian governments agree to:

- invest in the development and implementation of a National VET Workforce Development Strategy to include the elements outlined in this report, with funding of \$40 million per year over six years, indexed but non-accumulating, as recommended in *Australian workforce futures*
- progressively reduce the number of VET practitioners working under supervision and without the Certificate IV in Training and Assessment (TAE) from 2011, so that by 2013 all VET practitioners should hold the qualification (or equivalent)
- strengthen the Training and Education Training (TAE) Training Package by
 - including a broader range of entry-level and higher-level qualifications and by offering areas of specialisation and career paths into higher education qualifications, to address the diversity of practitioner roles
 - making the language, literacy and numeracy elective mandatory in the Certificate IV (TAE) as a priority
- consider reforms that enable the public provider to attract, retain and reward staff in a competitive market that is focused on achieving excellence in teaching and learning outcomes
- undertake the development of a comprehensive instrument to measure and describe the VET workforce.

192 Dickie M, Eccles C, Fitzgerald I, McDonald R (2004) *Enhancing the capability of VET professionals project: Final report*, Australian National Training Authority, p 10

193 Productivity Commission, *Vocational Education and Training Workforce Draft research report*



6 Delivering outcomes and understanding the sector's contribution

Skills Australia's vision for the VET sector has, at its core, lifting confidence in the quality of the sector. A key strategy to drive quality improvement is to ensure transparency so that clients and stakeholders of the system can clearly see what it is achieving and judge it, using appropriate and reliable data and information.

In this section, we examine the case for greater transparency of the VET sector through improving the information available to clients. We recommend a range of strategies, which build on, and further strengthen, existing data collection and quality initiatives. We also examine the importance of moving towards a more outcomes-focused model of funding in order to secure greater transparency for clients across the sector.

6.1 The case for transparency

The move to increase accountability and public information across the whole education and training system has been agreed by governments. The Minister for Tertiary Education, Skills, Jobs and Workplace Relations, Senator the Hon Christopher Evans, has stated: 'Transparency is also an important part of the government's quality agenda. And informed student choice is particularly important as we move to a demand driven system.'¹⁹⁴

The *My School* and the *Going to Uni* websites are examples of this commitment. The planned *MySkills* website will further this agenda. Skills Australia considers that the principle of transparency needs to be applied strongly to the VET sector, especially as it moves towards entitlement funding. For demand-driven models to work effectively, clients—be they individual learners or enterprises—must be able to access reliable information about the relative value and performance of the various providers.

One of the recommendations of the OECD review of the Australian VET system was that students entitled to public funding should be able to choose their VET provider and that this open competition should be accompanied by much better information on the quality of providers.¹⁹⁵ The UK Commission for Employment and Skills (UKCES) *Ambition 2020* report also advocates the use of both information and incentives as levers for raising investment in skills.¹⁹⁶ The UKCES stressed that information should be backed up with advice and guidance on career and learning opportunities, through high-quality labour market intelligence and the use of information and communication technology to make quality information readily accessible so that students can make informed choices. This is an approach we strongly endorse.

It is also essential that as the sector becomes more demand driven it is measured against transparent outcomes for both individuals and enterprises.

194 Senator the Hon Christopher Evans, Minister for Tertiary Education, Skills, Jobs and Workplace Relations keynote address, Universities Australia conference, Canberra 2 March 2011 http://www.deewr.gov.au/Ministers/Evans/Media/Speeches/Pages/Article_110302_134902.aspx

195 Hoeckel, K et al. (2008), *Learning for Jobs*, OECD

196 UK Commission for Employment and Skills (2009), *Ambition 2020: World class skills and jobs for the UK*

This transparency needs to apply both at the system level and to individual providers. However, for this to happen much change will be required, some of it cultural, as all VET providers begin to face the public gaze. The school and higher education sectors are accustomed to being in the spotlight and subject to comparison. Publications like the *Times Higher Education World University Rankings*¹⁹⁷ or the *QS World University Rankings*¹⁹⁸ and international school comparisons such as those available through the OECD Programme for International Student Assessment (PISA) results.¹⁹⁹ The VET sector is unused to such scrutiny and, as a result, both its successes and failures are largely hidden. The exceptions tend to be cases of very high achievement, acknowledged through state, national or local awards, or very poor achievement, exemplified through college collapses and closures, such as those that have affected international students and hence Australia's international reputation.

In the feedback to our discussion paper there was substantial support for greater transparency and better availability of information not only to assist clients in their choice of provider but also to drive quality improvement. For example:

any initiative that improves accessibility to training that meets the immediate needs of the client; improving client choice is therefore a key component of any such strategy. However, where such a system empowers the individual client directly to make a choice, that client must be well informed. Market-based systems are susceptible to inefficiency resulting from information asymmetry; if users are not well informed, they will not make purchasing decisions that best reflect their needs and a strong return on investment.

| *Construction Skills Queensland submission*

For too long there has been resistance to publication of performance data and other provider information based on arguments of confidentiality or regulatory burden. And yet in other education sectors and fields of business, reports on outcomes are a routine part of good business practice. They are used as a tool to inform clients and markets, to drive improvements in products and services, to inform shareholders and to differentiate businesses in the marketplace.

6.2 What type of information is required?

Although there was strong support for transparency, several submissions made the point that publication of provider data, especially performance data, should take into account information such as regional differences, thin markets, community service obligations, the nature of the student cohort, including socioeconomic status representation, and other relevant factors that might affect a provider's performance. One submission endorsed:

the publication of VET provider performance indicators if the definitions for success were to be revised. For registered training providers largely dedicated to delivering education and training opportunities for those who are most disadvantaged in the labour market, measurements of performance and the definitions of success are often so narrow as to discount broader social and educational advances achieved through VET, regardless of individual completion rates. Many clients who are disconnected from the labour market attempt non-accredited and accredited training several times before completion—and

197 www.timeshighereducation.co.uk

198 www.topuniversities.com

199 www.pisa.oecd.org



some will never complete—but many of these learners would report having reaped the rewards of participation, regardless of qualification completion.

More qualitative data related to learner satisfaction and indicators of advancement towards independent and sustainable employment would offer greater insight into the value of VET to such clients, and the relative success of particular provider support in this regard. Under this type of reporting framework, the Brotherhood would support the publication of VET provider performance and any related Key Performance Indicators (KPIs).

| *Brotherhood of St Laurence submission*

In submissions there was support for collection and publication of performance data that would provide a comprehensive picture of the VET sector's achievements. This might include contributions to regional development; facilitating student pathways through collaboration with schools, the adult and community education sector and higher education providers; workforce development and employer partnerships; engagement with job seeker support agencies; and contributions to community development.

For these reasons we consider that data published on individual VET providers should include a range of information capturing the full extent of their services to individuals, to industry and to their communities. The vehicle for providing ready access to this information is already under development, through the *MySkills* website announced by the Australian Government in the 2010–11 Budget. The website aims to

provide current and potential students, job seekers, employers and workers with information about training options. ... it will also allow students, job seekers and workers to make informed choices about how to strengthen their skills base.²⁰⁰

A total of \$4.1 million has been budgeted to develop the website, which is scheduled to be fully operational in 2012. It is planned to cover publicly funded VET providers across the country. However, Skills Australia recommends that the coverage of the website be expanded to include all RTOs, not just those that are publicly funded. This will ensure full transparency and appropriate consumer information. Specifically, Skills Australia recommends that the Australian Government foster quality provision through greater transparency and better consumer information by requiring all RTOs, as a condition of registration, to provide AVETMISS compliant data that will readily enable the required national data collections and promote transparency. We also recommend the publication, for all RTOs, on the *MySkills* website of robust quality indicators on learner engagement, employer satisfaction and student outcomes. The NCVET has conducted a review of the effectiveness of the AQTF quality indicators for RTOs; this work should be considered in determining the best data source for this information.²⁰¹ Advice will also need to be sought from the NCVET in relation to data access protocols that govern the release of provider-level data. For instance, statistically reliable data will not be available from small providers because they have insufficient students. Appropriate commercial-in-confidence safeguards should also be considered.

Skills Australia also recommends publishing on the *MySkills* website information on all RTOs:

- course profile, annual student enrolments, course completions, module completions, training package skill set completions and qualifications awarded
- student population characteristics, including low socioeconomic status and other disadvantaged student cohorts

200 Australian Government Department of Education, Employment and Workplace Relations website: <http://www.deewr.gov.au/Department/Budget/Documents/FactSheet10BudgetMySkills-JS.pdf>, accessed 5 April, 2011

201 TVET Australia website: http://www.nqc.tvetaustralia.com.au/nqc_publications/nqc_newsletters/november_2010#54635

- assessment validation practices and results
- student services, including career advice services
- workforce development and other services to industry
- articulation and credit transfer agreements with higher education providers, and agreements and partnerships with schools and industry.

Support for greater transparency through the MySkills website was evident in the submissions:

ACPET supports the development of career and labour market information, and data on scope and activity of providers. Quality control is a key element of registration and course accreditation at national and State levels ... The MySkills website has the potential to be an important initiative in bringing transparency to the VET environment ... ACPET strongly recommends that a balanced picture be provided that reflects broad outcomes, such as completions but also cautions government on the potential for increasing the business costs to RTOs of increased data collection and reporting. Getting the balance right will be critical.

| *Australian Council for Private Education and Training submission*

It is noted that this measure [performance evaluation and transparency] remains a feature of individual RTO reporting through the AQTF although this is not made public. Measures to improve transparency in this regard, including the MySkills website, need to be supported. Overall, it is important that the voice of industry does not get lost in the process of performance evaluation of the VET sector.

| *Australian Industry Group submission*

We anticipate that some RTOs will see provision of this data as an additional reporting burden and more 'red tape'. There may be also objections based on commercial-in-confidence concerns. However, the approach we are recommending does not require substantial additional data collection. Because it largely draws on information already collected but not currently made publicly available at the provider level, there should not be a large additional data collection task. Much of it would help providers to promote their services.

6.3 Improving data collection and data quality

Another theme of our discussion paper that was strongly supported in consultations and submissions was the inadequacy of VET data and the need to expand the VET evidence base beyond the information currently collected through the NCVET national VET collections. Transforming the quality and accessibility of data and information is essential to achieving broader VET outcomes.

There is a need to know more about provider success in enabling student pathways to further education and to work, and to have the capacity to undertake longitudinal studies to better understand VET outcomes. We also need to be able to identify areas of weakness and strength at both the system and provider level so that deficiencies can be addressed and successful practice captured and shared. This includes data about the VET workforce as recently identified by the Australian Productivity Commission and discussed in section 5.²⁰²

202 Productivity Commission (2010) *Vocational Education and Training Workforce*, draft research report



All information, including international student teaching hours and enterprise fee-for-service should be in the public domain. Reporting this data should be a condition of registration/accreditation.

| *Anonymous submission*

The importance of obtaining accurate data was also reinforced recently by the Australian Council for Private Education and Training's Chief Executive:

[Completions data is] simply too important not to get right ... Reforming Australia's training system will have wide-ranging ramifications for training institutions around the country. We have to ensure that the data upon which we base changes is sound, complete and reliable.²⁰³

The paucity of information about the private sector certainly needs to change. The contribution of these providers to the overall training effort remains unknown. Thus, even to answer what would appear to be a very basic question — such as how many VET qualifications have been issued in Australia in any particular year — is not possible, because data on the training activity of private RTOs is not systematically collected and there is no national register.²⁰⁴ Yet information about training capacity and contribution will become increasingly important to monitor progress towards the educational attainment and participation targets set by the Council of Australian Governments and by Skills Australia.

The work of the National VET Data Strategy is addressing many of these issues. As noted by NCVET:

The National VET Data Strategy aims to expand the VET data collections, as well as make them more accurate and effective. It also seeks to improve the integration, management and accessibility of the data. This is in keeping with the policy direction of the Council of Australian Governments (COAG) to monitor outcomes through a new national reporting framework. The expansion of the data collection to include all VET providers is a vital part of that new framework.²⁰⁵

The planned national unique student identifier (USI) will also help build the evidence base needed in vocational education and training by enabling the progress of individual students to be tracked and monitored and it needs to be expedited. Having a USI will make it easier for students to gain an accurate record of all their education and training conducted across various RTOs. In addition, the USI will improve the transparency of the VET system across Australia, support research and evaluation and help inform VET policy development.

Skills Australia considers these planned improvements to data collection and quality to be a high national priority that should be appropriately resourced and expedited.

To support these data initiatives Skills Australia recommends that it be mandatory for all RTOs, as a condition of registration, to provide AVETMISS-compliant data that will readily enable a comprehensive national data collection and promote transparency.

We also recommend that the Australian Government request NCVET to examine the possibility of changing the NCVET Student Outcomes Survey methodology to allow publication of individual provider results. NCVET has played a crucial role in providing a research base for the national

203 Claire Field, ACPET, quoted in *Campus Review*, 28 February 2011

204 AVETMISS currently only captures publicly funded qualifications — see <http://www.ncver.edu.au/statistic/31253.html>

205 NCVET Insight eNewsletter Issue 38 June 2010 <http://www.ncver.edu.au/newsevents/insight/issue38/22192.html>, accessed 17 April 2011

training system over the last decade and we see NCVER as a critical resource to improve VET data availability and quality.

Skills Australia believes improved consumer information and readily available comparisons of provider performance are important to help individuals and enterprises make choices about training services. We received wide support in submissions for more individual provider information being made publically available. For example the Joint ISC submission stated:

For clients of the National Training System, objective, evidenced based information on the performance of individual Registered Training Organisations must be made easily available on-line as a matter of urgency.

In order to extend the Student Outcomes Survey to allow publication of individual provider results however, NCVER will need to examine the possibility of changing their methodology. This is due to large variation in the size of RTOs and therefore the number of survey respondents. In order to publicly report on individual provider results, NCVER will need to ensure they have sound methodology to ensure sample sizes and therefore results that are statistically relevant.

NCVER might also be asked to report on whether the current methods of measuring employer satisfaction, one of the quality indicators, are appropriate and fit for purpose.

Recommendation 16: Information transparency and increased outcomes focus

That Australian governments foster quality provision of training and assessment through greater transparency and better consumer information by:

- a) requiring all registered training organisations, as a condition of registration, to provide data compliant with the Australian Vocational Education and Training Management Information Statistical Standard that will readily enable a comprehensive national data collection and promote transparency
- b) implementing publication on the *MySkills* website of the following information for all registered training organisations:
 - robust quality indicators on learner engagement, employer satisfaction and student outcomes
 - course profiles, annual student enrolments, course completions, module completions, skill set completions and qualifications awarded
 - student population characteristics, including low socioeconomic status and other disadvantaged student cohorts
 - assessment validation practices and results
 - student services, including career advice services
 - workforce development and other services to industry
 - articulation and credit transfer agreements with higher education providers, and agreements and partnerships with schools and industry
- c) requesting NCVER to examine the possibility of changing the NCVER Student Outcomes Survey methodology to allow publication of individual provider results.



6.4 Promoting an outcomes focus

There was strong support in the consultations and the submissions for shifting from an input to an outcomes focus. This shift is already underway. The National Agreement for Skills and Workforce Development 2009–2012 set targets at the national and state levels to measure progress against the COAG reform agenda aimed at opening the training system up to a demand-led market approach. The Agreement established the following outcomes:

- The working age population has gaps in foundation skill levels reduced to enable effective educational, labour market and social participation.
- The working age population has the depth and breadth of skills and capabilities required for the 21st century labour market.
- The supply of skills provided by the national training system responds to meet changing labour market demand.
- Skills are used effectively to increase labour market efficiency, productivity, innovation and ensure increased utilisation of human capital.
- COAG's key skills targets are to:
 - halve the proportion of Australians aged 20–64 without qualifications at Certificate III level and above between 2009 and 2020
 - double the number of higher qualification completions (diploma and advanced diploma) between 2009 and 2020.

State and territory governments are working to achieve these targets and VET systems are refocusing their effort accordingly, building them into performance agreements. There are signs that provider behaviour is already being modified in response to these targets.²⁰⁶ However, a point made during our consultations was the importance of providing a comprehensive picture of VET delivery that captures its spectrum of service provision beyond qualification completions.

The community and regional development and workforce development roles of VET providers are not universally recognised, funded or rewarded and there is disagreement among key stakeholders as to the appropriateness of this role for RTOs.

The leadership role of VET providers in workforce development did not receive broad support in our consultations, with many respondents seeing it as the responsibility of enterprises and industry. However, there was acknowledgment of VET providers as principal partners who make substantial contributions to their communities and to industry by proactively working with enterprises, providing not just training but also consultancy services in organisation design, job design, career pathways and other workforce development activities.

206 For example, TAFE NSW — Sydney Institute (2010) *Strategic Plan Towards 2012* has a target of 50 per cent growth in enrolments and completions at Certificate III and above in 2012

Skills for Growth

One of the programs that received strong endorsement in our consultations was 'Skills for Growth'. This workforce development program is a Victorian Government initiative dedicated to working with small and medium-sized businesses to explore training and education opportunities that will benefit the businesses and develop the skills of their staff. Case studies on the program's website illustrate the scope of the program and the contribution made by RTOs.²⁰⁷

Similar research and case studies described by West Coast TAFE have also demonstrated the positive outcomes of successful collaborations with industry.²⁰⁸

Skills Australia considers that enterprise consultancy services should become a core and expected function of the VET provider's role, due to the demonstrated benefits that can accrue.

Public providers, the adult and community education sector and a number of smaller providers operating in regions make a strong contribution to their local communities and to regional development, which is not well supported in current funding models. Vocational education and training plays an important role in community and regional development initiatives. Here, solutions go beyond working with enterprises to partnership approaches with community groups and government agencies. These sometimes develop into 'skills ecosystems' that provide a better focus on joined-up services and collaboration and so benefit individuals, communities and regions.

We therefore recommend that two new performance indicators be introduced into the NCVER data collection to measure and report on VET provider community engagement and workforce development services.

6.5 Completion rates: a contentious issue

Qualification completion rates in the VET sector are low. Exact figures are unavailable, but work by Mark and Karmel estimated that the national completion rate of VET course enrolments at Certificate I level and above commencing in 2005 was quite low, at about 27 per cent. It was higher for full-time students, at approximately 35 per cent, and it was highest for course enrolments at Certificate III level compared to other qualification levels.²⁰⁹ The contentious nature of completions is illustrated by recent articles outlining a debate between Service Skills Australia and NCVER on this issue.^{210,211}

Although there are cases when partial completion may be considered a successful outcome, such as when an individual only wants to acquire a certain set of skills, such a low qualification completion rate represents wastage for individuals, employers and government and would be considered unacceptable in other education sectors.

207 Business Victoria Skills for Growth website http://www.business.vic.gov.au/BUSVIC/STANDARD/PC_63766.html

208 Mitchell, J (2009) *Reinvention through innovation: How West Coast TAFE works with clients to reinvent itself and improve its services* http://www.westcoasttafe.wa.edu.au/SiteCollectionDocuments/reinvention_through_innovation.pdf

209 Mark, K and Karmel, T (2010) *The likelihood of completing a VET qualification: a model-based approach*, NCVER

210 Ross, J *VET completion rates underestimated: Skills Council*, Campus Review 28 March 2011

211 Karmel, T *No country for straw men*, Campus Review 11 April 2011



It is recognised that tying funding to completions is a major change in what has been a primarily input-focused system, based on enrolments. It will be a challenging adjustment for many RTOs. It is also important to guard against perverse outcomes—a point that was made strongly in many of the submissions and consultations.

With an increased emphasis on completion results as opposed to enrolments, providers may also be faced with the need to screen students to select those with the best chance of success, rather than those with the greatest need to participate.

| *Community Colleges Australia submission*

Tying qualification completions to RTO funding would distort outcomes and have a negative impact on training quality.

| *Business Skills Victoria submission*

However, Skills Australia believes that moving to a model of funding module completions and of rewarding qualification completions will significantly drive improvement in the system.²¹² As such, we recommend that public funding of RTOs should progressively move to a system of staged payments at enrolment, at mid point and a final payment on module completion, with 100 per cent of funding being allocated for 80 per cent module completion.²¹³

We also consider it imperative that a focus on completions be matched with rigorous quality control to guard against a sudden increase in completions at the expense of quality. For this reason we recommend that outcomes-based funding not be implemented until the national VET regulator has been established for two years and rigorous processes are in place to ensure quality is not compromised.

An emphasis on completions has the potential to promote a much stronger focus on selection and support. Initial student counselling and career advice, quality teaching, mentoring, tutorial support and special assistance during the learning program should help students to select a study program that will suit their aptitudes and objectives and then to complete modules and courses.

The UK experience has demonstrated that a focus on completions can drive much stronger performance and better outcomes for both students and government. A report on progress made in the UK Further Education system following the introduction of success rate targets noted:

Success rates in the Further Education sector have continued to increase. In 2005/06, the success rate target for FE colleges increased by 2 percentage points to 77 per cent, exceeding the LSC's target of achieving a 76 per cent success rate by 2007/08. This means that for every 100 courses started, 77 result in a qualification being achieved. In the past 6 years, success rates in colleges have risen by over 20 per cent and now over three quarters of students are achieving qualifications. Success rates for full Apprenticeship programmes have increased by 13 percentage points in just one year from 40 per cent in 2004/05 to 53 per cent for 2005/06. Work Based Learning success rates are now close to 59 per cent, the 2007/08 target. Full Level 2 success rates for 16–18 year olds are up by 5 percentage points to 66 per cent and for adults by 6 percentage points to 65 per cent. This represents great and sustained progress.²¹⁴

212 Note: completion rates (based on the number of students enrolled) are not graduation rates (based on the number of students commencing). Completion rates and graduation rates correspond perfectly when all students commence a course in a given calendar year and all completers complete in that year. To the extent that students enrol in a course for more than one year to produce one qualification, graduation rates will be higher than completion rates. Hence for shorter courses such as Certificate I and Certificate II courses, completion rates will approximate graduation rates.

213 As the national average for module completions is approximately 80 per cent, this level provides a reasonable benchmark for funding module completions.

214 Further Education | Raising Skills, Improving Life Chances | Update: July 2007, UK Dept of Business, Innovation and Skills http://www.bis.gov.uk/assets/biscore/corporate/migratedd/publications/f/fewp_oneyearon_web2.pdf

However, we acknowledge the many submissions that counselled against the use of full qualification completions as a performance measure. These arguments primarily centred on the need to take into account student intention at time of enrolment, the value of modules and skill sets as legitimate outcomes in some cases, and learner background.

Each learner follows a unique training pathway and needs varying degrees of support. A simple focus on the end result ignores the variation between students in the steps they may follow and the support services they may require.

| *Central Institute of Technology submission*

Any consideration of completion rates should be within the context of intent on enrolment.

| *Minerals Council of Australia; Queensland Resources Council; Chamber of Minerals & Energy, Western Australia; and South Australian Chamber of Mines and Energy submissions*

Nevertheless, we believe it is important to maintain a focus on improving qualification outputs, not just modules or skill sets, as the evidence is clear that there is a significant return on investment for individuals in completing a qualification, with Certificate III and IV holders gaining at least a 30 per cent rate of return compared those who did not complete Year 12, and diplomas gaining between 8 and 10 per cent over Year 12 completers.²¹⁵ It is also a key agenda item for government as expressed through the COAG targets and supported by Skills Australia's modelling of the need for more qualifications in the future.

We agree that any move towards a stronger focus on completions needs to take into account the diversity of VET students and their backgrounds. Students with low socioeconomic status and/or other measures of disadvantage may need significant support to achieve completions. Elsewhere in this report we recommend additional funding to make sure this support can be provided, with the aim of ensuring that all students have the opportunity to succeed. Information about student background is important to enable valid comparisons of different VET providers and different types of students. That is why we consider a wide variety of indicators and a balanced scorecard should be used in assessing performance.

6.6 Addressing 'churn' at lower qualification levels

Currently, although VET attracts a significant proportion of low socioeconomic and disadvantaged students, the evidence shows that progression into higher-level qualifications is low. The cycle of 'churn' at lower-level qualifications needs to be addressed so that these students are better positioned to achieve higher-level qualifications with good job prospects and better rates of pay. An added benefit is that higher-level VET qualifications can provide a platform to facilitate pathways to higher education.

To encourage progression we recommend that performance-based funding should reward RTOs that demonstrate improvement in enabling low socioeconomic and disadvantaged students to achieve higher-level VET qualifications. Specifically, we recommend that the Quality Skills Incentive (\$129.8 million commencing in 2011–12 announced by the Australian Government) should be used to reward improved provider performance in three main areas, comprising:

- the AQTF quality indicators on learner engagement, employer satisfaction and competency completion
- AQF qualification completions
- completion of qualifications above Certificate III by low SES and disadvantaged students.

215 Chapman, B et al (2007) HECS for TAFE: The Case for Extending Income Contingent Loans to the Vocational Education and Training Sector, Commonwealth Treasury Working Paper 2007–2



6.7 How engaged are VET learners?

The Learner Engagement survey is designed and supported by the Australian Council for Educational Research (ACER), but administered by each RTO. Each VET provider is required to follow the sampling and other methodological advice and guidelines prepared by the council. However, it has been suggested that there would be greater confidence in the assessment of the quality indicator on VET learner engagement if it were more independently administered, in line with the approach taken in the higher education sector.

Learner outcomes and engagement are a substantial focus of the higher education sector quality system. For example, the Australasian Survey of Student Engagement is conducted by ACER in conjunction with participating higher education institutions. The survey is designed to help stimulate evidence-focused conversations about students' engagement in higher education, and provide institutions with information that they can use to monitor and enhance the quality of education they provide to their students. The Australian Council for Educational Research is also involved in the development of a 14-country international comparative instrument, the Assessment of Higher Education Learning Outcomes. The feasibility study for this instrument focuses on economics, engineering and generic skills.

We therefore recommend that the NCVET investigate and provide advice on the development of a new survey approach to measure learner engagement more objectively.

Recommendation 17: Outcomes-based funding

That Australian governments agree to shift from input-based to output- and outcomes-based funding models, including a funding model that rewards completions. Specifically:

- a) Public funding of registered training organisations should progressively move to a system of staged payments at enrolment, at mid point and a final payment based on module completion, with 100 per cent of funding being allocated for 80 per cent module completion.
- b) The Quality Skills Incentive (\$129.8 million commencing in 2011–12 announced by the Australian Government) should be used to reward improved provider performance in:
 - the AQTF quality indicators on learner engagement, employer satisfaction and competency completion
 - Australian Qualifications Framework qualification completions
 - completion of qualifications above Certificate III by low socioeconomic status and disadvantaged students.
- c) New performance indicators should be introduced into the NCVET data collection to measure and report on VET provider community engagement and workforce development services.
- d) In relation to recommendations a), b) and c) above, outcomes-based funding should not be implemented until the Australian Skills Quality Authority has been established for two years and rigorous processes are in place to ensure quality is not compromised.
- e) The National Centre for Vocational Education Research should be asked to report on whether the current methods of surveying employer satisfaction and learner engagement, as quality indicators under the Australian Quality Training Framework, are adequate.

7 Providing diverse and relevant learning products and services

Australia needs adaptive workers, able to engage in learning throughout their working lives and meet the challenges of new technology, climate change and globalisation. Much is already being done to redesign learning products and services to this end. This section includes two sets of recommendations to build on these efforts.

First, we look at how to ensure learning products and services keep pace with digital reforms and respond to industry and workforce needs. We argue that it is necessary to:

- build on existing resources developed to support implementation of e-learning
- establish regulatory and quality arrangements to ensure high-quality products are developed in this emerging field
- include use of digital media and delivery in VET workforce development initiatives to ensure the VET workforce can keep pace with learner and enterprise expectations.

Second, we look at ways to redesign learning products to build a more adaptive workforce, engage learners on the margins of learning and work and deepen skills across the workforce. We argue for:

- lifting foundation skills through the development of a dedicated national bank of foundation skills units and qualifications to ensure a systematic national approach in this important area
- accelerating work by industry skills councils to design qualifications with the right balance of skills and knowledge to foster portable ‘critical thinking’ skills, and to develop industry advice to complement delivery of redesigned training packages
- publicly funding skill sets as a way to deepen skills, meet immediate industry needs, and create pathways into further learning and work. This was a contested issue among stakeholders and we suggest specific circumstances for public funding and parallel development of data collection and evaluative work to monitor the impact of this reform.

7.1 VET’s diverse market

Flexible, innovative and creative learning products driven by industry’s skill needs are at the heart of the VET sector’s achievements to date, and these products, together with a professional, highly skilled VET workforce, will position the sector for the future.

Skills Australia’s discussion paper noted that one of the core characteristics of vocational education and training is its diversity — in its modes of delivery, its learners and programs.

Modes of delivery and ways of engaging learners are shifting. The digital age is upon us and is transforming the way Australians live and work. It provides untold opportunities to reach learners across the country and to engage younger learners who, as participants in the digital revolution at schools, will expect easy to access learning by using the web at a time and place of their choice. They will increasingly expect use of ICT as a matter of routine. They will be familiar with blends of online and face-to-face delivery, use of 3D virtual worlds that make learning exciting and creative, integration of social media into their learning experiences, and application of e-portfolios



as a record of their skills and to gather the evidence that demonstrates such skills. Workplaces and businesses will also be transformed by access to high-speed internet connections available through the National Broadband Network (NBN) and this in turn will shift their expectations of the VET sector and how it provides quick and readily accessible workforce development solutions.

VET's client base will also continue to grow in diversity. The need to expand workforce participation means that the VET sector needs to reach many more disengaged and disadvantaged learners whose learning needs and styles will be very different. Many will not be in workplaces, will have low levels of foundation skills and will require highly customised learning and support strategies that equip them to move into work.

Vocational education and training will also be expected to equip the workers of the future with the capability to adapt continuously and engage in learning throughout their working lives as they respond to changes in technology and the demands of climate change and globalisation. Our discussion paper noted that in an 'Open Doors' scenario—a more open and trade-exposed economy modelled for Skills Australia by Access Economics—skills deepening is seen as occurring due to the changing nature of labour demand. Future occupations and skills are influenced by increasing job complexities and the higher levels of communicative, interactive and cognitive capabilities required in the workplace. This will demand products that are flexible and agile to meet a variety of needs and to shift as the nature of work changes.

As we hurtle into this future where change is a constant, it raises the question of whether the VET sector's core products are fit for purpose across the diversity of VET learners and enterprises and for the contemporary world of work.

7.2 Harnessing the learning opportunities of the digital age

The Vocational Education Broadband Network (known as the VEN), together with the development of the NBN, is expected to expand the use of ICT as a tool in learning. It has the potential to be a critical tool in providing greater access to learning across rural, regional and remote Australia, including in many remote Indigenous communities and in both small and large enterprises:

World class broadband infrastructure is an essential platform for world class teaching, learning and research.²¹⁶

The National VET Equity Advisory Committee has noted that the rollout of these two networks may provide opportunities to improve access and participation for disadvantaged learners.²¹⁷ Examples are already emerging of providers using technology to enhance communication with students, maintain their engagement, and demonstrate provider willingness to respond to student voices.²¹⁸

216 DEEWR (2009) *Vocational Education Broadband Network Implementation Strategy*, <http://www.deewr.gov.au/Schooling/Programs/VEN/Pages/Implementation.aspx>

217 NVEAC (2011) *Equity Blueprint 2011–2016 Creating futures: achieving potential through VET*, p. 29, http://www.nveac.tvetaustralia.com.au/__data/assets/pdf_file/0016/54025/NVEAC_Equity_Blueprint_2011-2016.pdf

218 See for example University of New England and Bay of Plenty Polytechnic NZ in *ACER Higher Education Update*, Edition 7, February 2011



The VET sector needs to position itself to capitalise on the transformative learning potential offered by this future digital world:

One area which holds great potential for the education and training sector is the National Broadband Network. Australia has historically been an 'early adopter' of technology, though we are not yet well prepared for very fast broadband and the possibilities it offers. We are interested to put this issue on the map and to ensure we make the most of the transformative potential of the NBN which may have the capacity to address some of the most entrenched VET issues such as thin geographic and occupational markets which may significantly better support work-based skilling efforts.

| Australian Industry Group submission

It is critical that VET keeps pace with the digital reforms in the higher education and schools sectors and the broader community given its key role as the 'adaptive layer' of the Australian education system and the way it connects learning with the labour market, the workplace and community development. VET also needs to keep pace with international developments, such as research that is focusing on the need for appropriate educational and policy responses to the impact of digital technologies on school age learners.²¹⁹

The continuing integration of ICT into vocational education and training is essential to the realisation of individual learner and employer aspirations, as outlined in section 1.

The Digital Education Revolution in schools 'aims to bring substantial and meaningful change to teaching and learning in Australian schools. It will prepare students for further education and training, jobs of the future and to live and work in a digital world'. It is described as a holistic strategy that will provide new ICT equipment for schools; deploy high-speed broadband connections; support systemic change to increase the level of ICT proficiency for teachers and school leaders to embed ICT in teaching and learning; and provide for tools, resources and supports.²²⁰ In the higher education and research sectors, the Australian Government has already invested some \$88 million in the development of the Australian Research and Education Network to provide high-speed network services for the majority of Australia's universities and many research and cultural institutions.²²¹

School leavers will expect VET to offer the same learning opportunities and tools as they have accessed at their schools. Enterprises will also expect greater choice and control over the time and place of training as the benefits of the infrastructure investment in the National Broadband Network transform workplaces and business practices, with access to high-speed internet connections at up to 100 times faster than are currently available. The Vocational Education Broadband Network will provide a high-speed broadband network for TAFE institutions, which will be accessible to non TAFE RTOs on commercial terms and conditions, and will support development of online applications to make effective use of high-speed connections. However the implementation plan does not explicitly include capacity building that will equip VET practitioners with the skills required for delivery using these new tools and infrastructure. Nor does it acknowledge the potential quality risks that might arise as a result of the new market opportunities.

219 OECD/Centre for International Research and Innovation (2008) *New Millennium Learners: Initial findings on the effects of digital technologies on school-age learners*, viewed at www.oecd.org/dataoecd/39/51/40554230.pdf

220 DEEWR website <http://www.deewr.gov.au/Schooling/DigitalEducationRevolution/FAQs/Pages/DERFrequentlyAskedQuestions.aspx>, accessed 28 March 2011

221 DEEWR (2009) *Vocational Education Broadband Network Implementation Strategy*, <http://www.deewr.gov.au/Schooling/Programs/VEN/Pages/Implementation.aspx>



The Australian Flexible Learning Framework (AFLF), the e-learning strategy for the VET sector, which is managed by the Flexible Learning Advisory Group (FLAG) as a national collaboration to advance the uptake of e-learning in the VET sector, has developed a significant foundation for the roll out of digital learning. In the FLAG submission to the discussion paper, it advises that it has developed a range of resources to support a nationally consistent, standards-based approach to developing digital content and to enable VET practitioners to develop high-quality tailored training resources. It argues that the framework represents a significant investment in the development of the national training system's capacity to be responsive to change.²²² Skills Australia proposes that, in positioning the sector to respond to the potential of the VEN, it is essential to build upon and capitalise on the investment made to date in the framework.

FLAG's submission also argues for professional development that builds the capacity of the VET workforce:

There is an expectation that practitioners will not only know how to use the technologies but how to integrate them into teaching practice in an innovative way.

However in many cases VET teachers and training are on the back foot when it comes to the application of technology, responding to changes in learner behaviour rather than driving it. There is a strong argument for investment in mentoring and ongoing professional development for VET practitioners that will equip them with the skills they need to keep pace with emerging technologies and business practice.

Skills Australia has proposed in section 5 of this paper that the proposed National VET Workforce Development Strategy should include approaches for building capability to respond to the needs of the digital economy. This will include VET practitioners having the skills to use technology to deliver and assess competency-based training in new and innovative ways, including working with learners to facilitate the capture and recording of assessment evidence using a range of digital media. The strategy also needs to capitalise on the opportunities offered for establishing communities of practice. Technology can act as a powerful tool to facilitate continuous professional development that breaks down geographic barriers and connects expertise across the country.

The FLAG submission points out that the increased demand for services will generate an increase in the development of resources and digital materials to meet market demand with the potential for risks of poor quality. FLAG believes there is a role for government in developing a set of quality standards for content development and assessment that can be universally applied. We consider there is merit in this proposal and suggest it be a priority for the National Standards Council when it is established.

We are also concerned that the infrastructure development, while generating enormous learning potential, could also create other risks in relation to quality of delivery. This matter should be considered by the Australian Skills Quality Authority in relation to the development of the risk-based approach to regulatory intervention. We note the National Quality Council's response to the Productivity Commission's draft report on the VET workforce:

The NQC has the view that E-assessment is increasingly used within the VET sector but that it is not well understood and is inconsistently applied and is currently engaged in research jointly with FLAG which aims to enhance the quality of E-assessment and the application of contemporary assessment practices within the VET sector.

222 FLAG submission to Skills Australia

We support this work and believe it is critical that the network infrastructure is developed in an integrated manner with other policy developments that:

- support teachers and trainers to develop the appropriate skills in using the tools to support high-quality learning experiences
- reduce risks of the proliferation of poor-quality products and of poor-quality delivery by providers who might see online learning as a quick and cheap option.

'Joined-up' policy will significantly reduce the risks that the Vocational Education Broadband Network's transformative potential will be undermined. The VEN Stakeholder Advisory Group has a diverse membership, which should facilitate connections across related policy areas to manage risks. However, to ensure joined-up policy in this area, we propose that the development of the network should:

- build on the substantial foundation of resources already established by the Australian Flexible Learning Framework
- take into account the need for parallel development of relevant skills in the VET workforce through the National VET Workforce Development Strategy
- be linked to parallel development of quality standards for digital content and products through the National Standards Council
- be considered by the Australian Skills Quality Authority, particularly in relation to the need for robust regulation of quality of delivery and assessment of online/digital learning.

Recommendation 18: Harnessing the learning opportunities of the digital age

That Australian governments agree to maximise the potential of the Vocational Education Broadband Network (VEN) to build excellence in teaching and learning and enrich learning in the digital age through:

- a) building upon the foundation of resources established by the Australian Flexible Learning Framework
- b) creating links between the VEN development and the development of the National VET Workforce Development Strategy proposed in recommendation 15
- c) the National Standards Council developing a set of national quality standards for digital content and product development
- d) the Australian Skills Quality Authority developing a robust risk-based approach to regulation of the quality of digital learning.

7.3 The imperative to lift foundation skills

The results of the 2006 Adult Literacy and Life Skills Survey indicated that approximately 7 million people in Australia had literacy and numeracy scores below the minimum needed 'to meet the complex demands of everyday life and work in the emerging knowledge-based economy'.²²³

Australia, unlike New Zealand, showed little improvement in 2006 compared to the 1996 survey results. Adult language, literacy and numeracy (LLN) are fundamental skills for improved workforce participation, productivity and social inclusion. People with higher literacy scores are more likely to be employed and more likely to earn higher incomes. Higher literacy scores are associated with

223 ABS (2008) *Adult Literacy and Life Skills Survey, Australia. Summary Results*, cat. No. 4228.0 (2006 reissue), p. 5



higher gross domestic product per capita and also higher labour market productivity.²²⁴ The social inclusion effects of higher levels of language, literacy and numeracy proficiency are also marked, with individuals being able to participate more actively in civic life.

The Australian Government in the 2010–11 Budget announced \$23.5 million for a National Foundation Skills Outreach and Leadership project to tackle adult foundation skills capacity such as inadequate measurement and identification tools and limited numbers of teachers with the necessary specialised skills. A national community education campaign will be conducted to raise awareness of adult language, literacy and numeracy skill needs and highlight solutions.²²⁵

Given the fundamental importance of foundation skills to Australia's economic and social future, we have argued in section 9 of this report for an additional investment for an expansion of foundation skills programs in workplaces and for the unemployed. This investment will demonstrate governments' strong support for the development of the National Foundation Skills Strategy through funding of language literacy and numeracy programs to the levels recommended by Skills Australia in *Australian workforce futures*.²²⁶

This investment must be accompanied by products that enable skilled professionals to work effectively with learners to lift foundation skills.²²⁷ Despite the fact that these skills have been integrated into training packages since their inception, there are still concerns about the design and accessibility of the skills and the capability of the sector to deliver them. Clearly, given the results outlined above, there is an imperative for an increased focus on effective delivery of foundation skills.

The time is right to address the design of training packages to ensure that they support effective delivery of these skills across all levels of complexity.

The National Quality Council's submission to the discussion paper advises:

Current NQC work to streamline Training Packages via a new design model places greater emphasis on the explicit expression of foundation skills that are necessary to undertake units of competency.

Industry Skills Councils (ISCs) are working to strengthen embedded foundation skills within vocational competencies, however significant numbers of learners require more intensive foundation skills training, either as a pathway to or alongside their vocational training. The NQC's research reveals that a 'built-in and bolted-on' approach is therefore required. A mix-and-match combination of both embedded and stand-alone foundation skills in Training Packages will maximise flexibility for RTOs to cater to the spectrum of foundation skill needs of different learners.

The possibility of a dedicated Foundation Skills Training Package is under active consideration by the NQC as a way of developing a national, systemic approach to addressing foundation skill needs.

224 Coulombe, S et al. (2004) *Literacy scores, human capital and growth across fourteen OECD countries*, Statistics Canada

225 Prime Minister Gillard, \$120 million to boost Adult Language, Literacy and Numeracy Skills, Media Release, viewed at http://www.deewr.gov.au/ministers/gillard/media/releases/pages/article_100511_173837.aspx

226 *Australian workforce futures*, p.4

227 See foundation skills definition at footnote 22

Skills Australia believes that the concept of a national bank of foundation skills units across a range of AQF levels that are grouped together in a ‘training package’ may offer significant benefits to clients including:

- the availability of units for providers to draw upon to ‘mix and match’ the right proportion of foundation skill units and vocational skill units to meet identified client needs
- resolving the view expressed by some stakeholders that foundation skills as they have been embedded into training packages have become invisible.

This concept may also overcome a problem of duplicated and inaccessible resources in LLN that has been identified in work on foundation skills undertaken for *VET products for the 21st century*, which found that allowing foundation skills to remain in accredited courses means they are frequently not publicly accessible as they are covered by state-based or RTO copyright. This results in duplication of effort and resources across states and territories and works against easy and consistent adoption of LLN modules within vocational training.

The development of a Foundation Skills Training Package would allow consolidation of the plethora of State accredited LLN courses. LLN and employability skills modules from these accredited courses could be redesigned into units of competency at a range of levels of complexity. Associated packaging advice could be formulated to allow for customised AQF I and AQF II Foundation Skills qualifications.²²⁸

There may be reservations about a foundation skills ‘training package’ as it does not have an occupational outcome. The alternative argument is that foundation skills are a unique and critical national priority that demands a systemic national approach as a matter of urgency. The package will provide a set of underpinning skills that are fundamental to everyday work and social life for all Australians and this warrants its inclusion in the national training framework.

Our conclusion is that the current approach is not working to lift our performance in foundation skills. The situation demands a simplified, easily accessible, highly visible and continuously improved national framework that is owned and maintained by a single industry skills council on behalf of all ISCs. The ISCs would be able to draw upon the foundation skills bank of units for use in training packages and providers could ‘mix and match’ them to meet diverse client needs.

The most logical custodian of a bank of foundation skills units is Innovation & Business Skills Australia, which is also custodian of other ‘enabling’ skills that underpin technical and business competency across multiple industries. Examples include skills in digital and financial literacy, project management and innovation.

We accept that there are differing views about the terminology used to describe a ‘training package’ or national bank of foundation skills units but consider this should not prevent the concept from proceeding as a priority to development at which time the issue of naming can be the subject of consultation.

The development should take account of the stocktake and assessment of entry-level pathways being undertaken by NVEAC, as mentioned later in this report.

The recent publication by the collective of industry skills councils argues for holistic solutions and shared responsibility by all stakeholders—schools, employers and the tertiary sector—for building LLN skills of Australians. From their perspective they indicate an intention to provide clear advice on LLN skill requirements in their training packages and the accompanying companion volumes to

228 NQC (2010) *Foundation Skills in VET Products for the 21st Century*, viewed at http://www.nqc.tvetaustralia.com.au/nqc_publications/publications pp. 12, 23



assist RTOs in working with learners.²²⁹ We support this approach and later in this report argue for the importance of industry advice to support high-quality implementation of products.

It is also critical that product development is accompanied by support for a skilled VET workforce that can tailor services to best use the products for learners needs. We have proposed (in section 5 of this report) that the entry-level qualification of the Certificate IV (TAE) should include competency in relation to identifying foundation skills. This will ensure that all practitioners are equipped to effectively modify training and assessment so that it is fit for purpose and to seek out specialist advice when they need it.

7.4 Agile products to equip learners for the future world of work

Our discussion paper noted that training packages, with their emphasis on competency-based learning, preparation for work, and industry-determined outcomes, play an important role in Australia's national training system and have strong support from industry. In 2009 students undertaking training package qualifications made up 83 per cent of those undertaking AQF qualifications.²³⁰ However, there is currently debate about the whether there should be a greater emphasis in VET programs on developing 'human capability' with broad vocational pathways. This is an important consideration, as research shows many vocational learners often never work in the occupation their competency-based courses were designed to prepare them for.²³¹ These learners use their qualifications generically, so courses that develop a wider range of understanding and critical thinking skills could potentially be of greater use.

Buchanan and others have criticised the narrow approach to competence in vocational education and training. Competency-based qualifications, the critics argue, which emphasise the skills needed to perform one job at one level, do a poor job at preparing the learner for the further and higher education they will need throughout their very changeable working lives.

The narrow approach to 'competence' in VET limits the ability for the sector to provide a quality general education which is transferable across a range of industries. In particular, it limits students' access to forms of knowledge that facilitate autonomous reasoning — at work and beyond.²³²

In short, the argument is about the importance and utility of knowledge as well as skill.

[K]nowledge is displaced from the centre of curriculum in competency-based qualifications thereby denying students access to theoretical knowledge that they need in the workplace, even though the purpose of competency-based qualifications is to prepare students for the workplace.²³³

229 Industry Skills Councils (April 2011) *No More Excuses: An industry response to the language, literacy and numeracy challenge*, viewed at http://www.isc.org.au/pdf/NoMoreExcuses_FINAL%20single%20page.pdf

230 NCVET, *Students and courses 2009*, table 6, viewed at <http://www.ncvet.edu.au/statistic/21065.html>

231 *Australian workforce futures*, p. 20

232 Buchanan, J, Yu, S, Marginson, S and Wheelahan, L (2009) *Education, Work & Economic Renewal: An Issues Paper Prepared for the Australian Education Union*, Workplace Research Centre, University of Sydney, Sydney, p. 3

233 Wheelahan, L (2010) *Why knowledge matters in curriculum: a social realist argument*, Routledge, Abingdon, p. 127

Our discussion paper also noted comments that one of the key barriers to successful student transition between vocational education and training and higher education is the pedagogical divide between the university and VET sectors.²³⁴ It has been suggested that a change in emphasis away from specific competencies could better support integration with the higher education sector, where there is a focus on the attainment of higher-level knowledge and analytical skills, as well as provide workers with greater flexibility in their career development.

One submission to the discussion paper framed the issue as one of implementation of products rather than design:

I question the statements in the consultation paper about competency-based training ... While there were serious problems with the early stages of CBT and Training Packages, the current system is set up as well as can be expected when there are so many conflicting interests to accommodate, and the high-level review of Training Packages confirmed this. The issue, though, is that teachers and trainers are not educated to the level at which they can work skillfully with Training Packages, therefore underpinning knowledge is quite frequently not delivered to learners. There is particular risk of underpinning knowledge being overlooked in workplace delivery ... Therefore the evolution that is needed is better quality control and better teacher/trainer training, not a radical change to the system.

| Erica Smith submission

Significant reforms to training packages and the Australian Qualifications Framework are in train that will impact on the integration of underpinning knowledge and the creation of pathways between education sectors. The *VET products for the 21st century* work overseen by the National Quality Council and a COAG subgroup made a number of recommendations that are in the process of being rolled out, including allowing for VET qualifications to provide for identified knowledge and preparatory units of competence as appropriate.²³⁵ The project report explained the rationale:

Consultations with industry groups and with providers also highlighted the importance of underpinning knowledge or theory in the development of competence, noting that this is especially true for qualifications which require high levels of knowledge and theory to underpin competency. Many of those consulted believed that the knowledge components of units of competency do not receive enough attention in training. The key issue appears to be the extent to which the knowledge requirements are made explicit in Training Packages. While some Training Packages express the knowledge component effectively at the unit level, others do not identify it as clearly.²³⁶

The report also recommended a change to the definition of competence across the VET sector to make explicit the fact that competence needs to embody the ability to transfer and apply skills and knowledge to new situations and environments and that VET qualifications allow for both occupational and foundation skills outcomes.²³⁷

The changes to strengthen the AQF put a greater emphasis in training packages on the acquisition of underpinning knowledge and on qualifications being designed with built-in pathways to facilitate student progression to the next level of qualification.

234 Walls, S and Pardy, J (2010) *Crediting vocational education and training for learner mobility*, NCVER, p. 13

235 NQC (2009) *VET products for the 21st century: Final Report of the Joint Steering Committee of the NQC and the COAG Skills and Workforce Development Subgroup—June 2009*, p. 6

236 NQC *VET products for the 21st century*, p. 15

237 *Ibid*, p. 11



[T]he requirement for the explicit inclusion of knowledge and the volume of learning for qualifications in the vocational education and training sector will assist with student pathways to higher-level qualifications by making qualifications more understandable by the higher education sector and vice versa.²³⁸

Skills Australia has concluded that ongoing reforms to training packages to increase their flexibility and to strengthen the AQF, together with recommendations elsewhere in this report to build the capability of the VET workforce and to lift the quality of training and assessment, will together create the products that equip learners with the adaptive skills and knowledge required for the future world of work.

We consider, however, that there is value in accelerating the work of industry skills councils in developing the appropriate balance of skills and knowledge-based units, particularly at higher-level qualifications.

Innovation & Business Skills Australia has been working to determine whether its higher-level qualifications at VET diploma and above are fit for purpose for the tertiary education and labour markets of the future.²³⁹ This work should be encouraged to continue.

Another area in which VET's potential is currently undercapitalised is in development of innovation skills. The Australian Government's innovation White Paper described the need for urgent action to boost the nation's innovation capacity and performance.²⁴⁰

Innovation & Business Skills Australia has undertaken work to develop generic cross-industry innovation skills that can be imported into other qualifications as either stand-alone units or integrated components. It has also produced supporting material for trainers, assessors and businesses.²⁴¹ All industry skills councils are also incorporating skills for sustainability in their training packages as part of the COAG Green Skills Agreement,²⁴² and some are developing innovation skills in particular industry sectors.²⁴³ We support the work of industry skills councils in drawing on Innovation & Business Skills Australia's initiatives to develop the broad-based innovation skills relevant to any workplace context, in addition to developing innovation and sustainability skills relevant to their sectors. These skills are critical to equip workers with the adaptive capacity required as Australia faces the challenges of a global economy, climate change and increasingly complex and changeable jobs.

Products must also be flexible and responsive to meet the needs of learners who are seeking to re-engage with learning and enter the workforce. This is critical to the agenda of expanding workforce participation. Many training packages have been revised to better meet the needs of learners who are preparing for work and to provide pathways into higher-level qualifications as a result of *VET products for the 21st century*, which recommended that the sector:

238 AQF Council Advice to MCTEE (2010), viewed at <http://www.aqf.edu.au/> p. 9

239 IBSA (2010) *Higher Level Qualifications: Towards a New Future*, viewed at <http://www.ibsa.org.au/news-and-projects/reports-and-publications.aspx>, p. 1

240 Australian Government (2009) *Powering Ideas: An Innovation Agenda for the 21st Century*, viewed at <http://www.innovation.gov.au/innovation/policy/pages/PoweringIdeas.aspx>, p. 1

241 IBSA (2009) *Developing Innovation Skills: A guide for trainers and assessors to foster the innovation skills of learners through professional practice*, DEEWR

242 COAG (2009), *Green Skills Agreement*, viewed at <http://www.deewr.gov.au/Skills/Programs/WorkDevelop/ClimateChangeSustainability/Pages/GreenSkillsAgreement.aspx>

243 See for example Manufacturing Skills Australia's work on development of competitive manufacturing qualifications, <http://www.mskills.com.au/Default.aspx?SectorId=4>

Ensure a stronger focus on preparatory and enabling qualifications aimed at building general workforce capability and entry to a range of jobs in industry and occupational areas by explicitly incorporating such qualifications into the national framework in a more systematic way.

Ensure that Certificates I and II are clearly identified as either preparatory or entry-level qualifications.²⁴⁴

The National VET Equity Advisory Council (NVEAC) is intending to take stock of the range of entry-level pathways available to different groups of learners and to assess employer and individual perceptions of the value of such pathways in leading to work and the extent to which they do so.

At the same time, the new design model for streamlined training package material requires industry skills councils to detail the entry requirements for qualifications. This provides the opportunity for them to utilise the work being undertaken by NVEAC to provide clear advice on entry pathways which can provide a stronger connection between pre-vocational programs and training package qualifications.

7.5 High-quality implementation of learning products

One of the key outcomes of the new design work on training packages as a result of *VET products for the 21st century* is a renewed focus on providing support to RTOs to use the products to achieve high-quality learning outcomes.²⁴⁵ Industry skills councils will develop companion volumes to provide detailed industry advice on the use and implementation of training packages including:

- selecting appropriate learning approaches suitable to particular industries so that diverse learners are catered for in different learning environments
- providing guidance on broad discipline knowledge as well as industry specific knowledge pertinent to the training package and ability to transfer knowledge in new environments
- providing guidance on assessment approaches and tools relevant to the training package and advice on workplace contexts and simulated environments.²⁴⁶

We note that work has commenced to develop a small number of model streamlined training packages to illustrate the new design. We strongly support this work and advocate its acceleration in 2011. This implementation advice will provide the critical link between quality products and the tools and advice for providers to deliver quality services to learners.

The NBN and the VET Broadband Network will bring learning to Australians in rural and remote areas and training packages need to be positioned for competency-based training and assessment in the digital age. VET practitioners will need industry advice about creative and innovative implementation of products that can accommodate the application of technology in new ways of training and assessment. We also advocate that these model streamlined packages and the companion advice should provide a template for digital learning in workplaces, community spaces and homes.

244 NQC *VET products for the 21st century*, p. 15

245 NQC Special Bulletin (2010) *Training Packages to focus on the essentials*, http://www.nqc.tvetaustralia.com.au/__data/assets/pdf_file/0010/54676/NQC_Special_Bulletin_-_Streamlined_Training_Packages_-_December_2010.pdf

246 NQC (2010) *Design Model for Streamlined Training Package Material*, http://www.nqc.tvetaustralia.com.au/__data/assets/pdf_file/0007/54979/Design_Model_for_Streamlined_Training_Package_Material.pdf



7.6 Skill sets as a tool for workforce development and pathways

Many submissions to the discussion paper argued that skill sets should be readily available through public funding, as a tool for workforce development and upskilling in enterprises and to create pathways to further learning and work for individuals, particularly disadvantaged learners. Strong support was evident from a range of stakeholders, including the majority of industry skills councils, other industry stakeholders, many equity advocacy groups and those working with disadvantaged people in the community services sector. Skills Australia strongly supports the attainment of qualifications and recognises their value to individuals and to society. Our stated position is that skill sets should only be publicly funded for learners who have achieved at least a Certificate III. However the support for expansion of skill set availability has prompted us to revisit the issue and to explore how skill sets might meet diverse enterprise and learner needs.

Skill sets are defined by the National Quality Council as:

Those single units or combinations of units which link to a licence or regulatory requirement, or defined industry need. Skill Sets in Training Packages are identified by National Industry Skills Councils but Registered Training Organisations can also identify skill sets in response to the needs of enterprises or individuals.

Industry Skills Councils (ISCs) as Training Package developers determine and name skill sets in their Training Packages according to the NQC definition.

The NQC has determined the different ways in which statements of attainment can be issued to show more clearly the skills achieved.²⁴⁷

AgriFood Skills Australia explains that there is more than one kind of skill set:

Generally we describe them as ‘capital S’ Skill Sets and ‘little s’ skill sets. ‘Capital S’ Skill Sets are those defined in Training Packages ... The NQC definition also refers to ‘little s’ skill sets by noting that RTOs can also identify skill sets in response to the needs of enterprises and individuals.²⁴⁸

Submissions from industry stakeholders suggest that skill sets can provide a quick and customised response to enterprise needs while offering the pathway towards a qualification for individuals:

The preference of all governments for individuals to complete full qualifications rather than skill sets is understandable, however it is important not to lose sight of the fact that a skill set can be the starting point to achieving a qualification.

Employers favour shorter periods of training to address immediate needs. This was demonstrated in relation to findings in Ai Group research about ‘blended learning’ and also by the emergence of co-funding arrangements often associated with skill sets initiatives.

| *Australian Industry Group submission*

Full qualifications are not regarded by employers as the only answer to their workforce development needs. Employers and key business services industry associations in Escan 2010 consultations expressed a preference for skill sets or individual units

247 www.training.com.au/Pages/menuitemc4d5fd97848ece3ee8be0a1c17a62dbc.aspx

248 Unpublished paper provided to Skills Australia

for greater flexibility to package the exact skills needed for their workforces. This is especially important for SMEs and for upskilling existing, particularly mature, workers.

| *Innovation & Business Skills Australia submission*

Skill sets are a core feature of certain work and occupational roles in the resources sector, where full qualifications are a case of over-skilling. The recognition of skill sets as a subset of a nationally recognised qualification is critical. In the absence of acceptance of this principle, skill shortages will continue and a key intervention opportunity ignored.

| *Minerals Council of Australia; Queensland Resources Council; Chamber of Minerals & Energy, Western Australia; and South Australian Chamber of Mines and Energy joint submission*

Many submissions emphasised the importance of providing pathways and stepping stones to qualifications and to jobs, especially for the disadvantaged. One of the benefits of skill sets is that, because they are comprised of units of competency from training packages, they provide a statement of attainment and thus a pathway to a nationally recognised qualification.

From [an] equity perspective, if the focus is on qualification outcomes then disadvantaged learners risk falling between the policy cracks. VET policy should acknowledge that the needs of such learners are often best addressed incrementally through the development of skill sets and the provision of intermediate pathways to full qualifications.

| *TAFE NSW Social inclusion Unit submission*

Skill sets have an important function as a means of recognising skills acquisition and serving as a stepping stone to further learning for disadvantaged learners.

| *NVEAC submission*

It was also argued that for disengaged learners a skill set can provide a bridge back into learning, particularly for those who have had poor previous learning experiences and who are fearful of education, learning and assessment.

This is an important point, particularly given the strong case for Australia's need to attract more disadvantaged learners into education and training to increase workforce participation. The provision of skill sets as learning pathways has the potential to contribute to this objective.

Another important consideration is the low completion rates of whole VET qualifications. Research indicates they are at about 30 per cent, and less than this for Certificates I and II.²⁴⁹ Skill sets could potentially help improve qualifications completions by giving learners staging points.

The primary concerns of stakeholders who do not support public funding of skill sets relate to the risks of creating perverse impacts that will lead to fragmentation of nationally recognised qualifications, reduction of portability, and the potential to confine workers to narrow occupational roles.

Others stated that research points unequivocally to the value of whole qualifications to individuals and that this evidence should drive allocation of public funds. They expressed concern that there is no quantitative evidence to support the contention that skill sets provide pathways to qualifications and that the risks outweigh the benefits. It is also argued that the more appropriate solution to creation of pathways for disadvantaged learners is to ensure there are clear pre-vocational and entry programs that provide bridges to qualifications.

Some submissions provided qualified support, arguing that skill sets should only be used as 'skills top-ups' for workers with existing skills and qualifications.

249 Mark, K and Karmel, T (2010) *The likelihood of completing a VET qualification: A model-based approach*, NCVET, p. 14



On the issue of skill sets and full qualifications, research shows the importance and value of full qualifications and this is where the public interest and public benefit lies, and therefore the public funding. If they are properly used, skill sets have a role to play in the up-skilling of existing workers on top of their existing qualifications. They must also be able to lead to something i.e. credit for a full qualification.

| ACTU submission

Skill Sets are supported by industry depending on how they are used. In the construction industry skill sets are supported for upgrading the skill of those employees holding trade qualifications. At the lower AQF level industry regards them as a possible dilution of the essential range of skills required to perform effectively in an occupational role.

| Construction and Property Services ISC submission

Those who oppose public funding of skill sets also argue that they are readily available on a commercial basis for enterprises and on a publicly funded basis for individual learners. Enterprises can negotiate with RTOs to pay for a cluster of units of competency and individuals can attain a skill set by enrolling in a publicly subsidised qualification and simply completing the units they want, for which they receive a statement of attainment.

However, lack of clear policy in the funding of skill sets means that some individuals and enterprises are paying for them while others are not. This inconsistency is causing confusion among stakeholders about availability.

Research by AgriFood Skills Australia shows that there are inconsistencies between states and territories as to whether and how skill sets are funded.²⁵⁰ In many cases enterprises' and learners' access to skill set delivery depends upon entrepreneurial RTOs locating program funding that might cover employer requests.

More flexible skilling solutions

On balance we consider that there is merit to the argument that skill sets are capable of meeting a range of needs, including as a pathway to qualifications, as a tool for workforce development in enterprises, and as a mechanism to provide skill top-ups, particularly for existing workers. Reserving public funding only for those who have already attained at least a Certificate III will limit the potential to meet this diversity of needs.

Skills Australia favours an approach of capitalising on training package flexibility to meet diverse enterprise and individual needs. The challenge is to open up the pathways that benefit clients of the sector without creating the perverse impacts that some stakeholders fear.

For this reason, we propose that a proportion of public funding be made available in both the enterprise-responsive and individual-based funding streams for skill set delivery in specified circumstances set out below, including for learners without a current qualification.

Some stakeholders advocate funding availability for both training package identified skill sets and those clusters of competency units that are developed by RTOs to meet particular client needs. However, while it is possible to devise a national code to identify, and therefore track and measure, training package skill sets, at this stage it is difficult to identify the RTO-developed skill sets. If skill sets are to be funded as a way of providing skills deepening, workforce development and pathways into further learning and work, they must be able to be clearly identified, tracked

250 Unpublished paper provided to Skills Australia

and measured. This is also essential to measure impacts, including the risks of any negative impacts on qualifications completions. Therefore we propose that public funding be opened up only to training package identified skill sets at this stage, subject to their identification by a national code, as outlined in the next section. This will mean that the practice of individuals accessing skill sets via public funding by enrolling in a publicly subsidised qualification will become increasingly transparent, making the achievements of the sector clearer.

Making skill sets available under public funding needs to go hand in hand with improving the quality of providers through strong regulatory arrangements and professional development of teachers and trainers, to minimise the potential for a proliferation of providers that seek to deliver what they might see as quick and cheap offerings. Stronger quality arrangements are outlined in section 5 of this report. An additional safeguard would be to require RTOs offering skill sets using public funding to have a demonstrated track record in achieving pathways into higher-level learning for their clients.

To ensure the continued focus on the attainment and value of whole qualifications and the quality of provision, we propose that the following parameters be adopted for the funding arrangements:

- industry skills councils are to provide a mapping of the pathways from each identified skill set to relevant qualifications
- skill sets will only be funded for learners without a qualification if there is a guaranteed pathway to a qualification
- public funding of skill sets will not extinguish entitlement to public funding for a qualification
- RTOs will be required to demonstrate a track record of achieving pathways from skill sets to higher-level learning for their learner cohorts for a period of at least two years.

The call from stakeholders for evidence that skill sets deliver on the promise of enterprise workforce development and pathways to higher levels of skill is valid. We therefore propose that the impact of skill set delivery on enterprise workforce development and on achieving pathways to higher-level learning and work be assessed three years after these funding arrangements commence.

We consider that this package of recommendations, if implemented, will provide the platform for consistency in the policy and funding environment, flexibility to meet individual and enterprise needs, mitigation of the risks identified by stakeholders with concerns about skill sets, and a framework for evaluating impacts.

Evidence to inform policy development

Better data capture on the completion of skill sets would provide a better understanding of their take-up. Completion of skill sets is not currently captured in VET data collections and it is not known how many learners enrol in a whole qualification in order to complete a skill set. This skews perceptions of the performance of the VET system. The system does not enable data to be collected to identify what proportion of non-completions may in fact be successful outcomes — the acquisition of a skill set, formally defined or otherwise, sought by an individual or their employer. As a result VET qualifications completions are seen as poor and compare negatively to qualification completions in the higher education system. This undermines the perceived effectiveness of VET and the status of those who study and work in it.



Student outcomes cannot be judged simply on completion of qualification alone. At BSL we are aware of many instances where entry into particular employment opportunities and careers requires only the completion of elements of a certificate course. Many job seekers enter the workplace once they have those skills and go on to secure sustainable, fulfilling employment. Under the present VET system, such outcomes would be deemed as unsuccessful. Such examples show that simple indicators are not always able to represent successful vocational outcomes. More meaningful, qualitative analysis of training outcomes should be a priority for the VET sector, and should inform 2020 COAG goals for VET completion rates.

| *Brotherhood of St Laurence submission*

The NCVET advises that consultations on the discussion paper on the *Review of the AVETMIS Standard for VET Providers* (the Standard) indicated a high level of support for the need to capture skill sets for the purposes of complementing existing qualification completions data.²⁵¹ It is proposed that the next release of the Standard will cover skill sets. Coding training package skill sets so they can be properly counted as part of the national VET collection would be a good first step to both provide better information about their take-up and provide more accurate completion statistics. The second part of the puzzle will be to track the extent to which completion of skill sets does indeed act as a pathway to nationally recognised qualifications as contended by those who advocate their recognition and use. The quantitative evidence to supplement the anecdotal information provided in the submissions will only be available once coding of skill sets and a unique student identifier (a unique student number) for VET students are in place. Work is underway to develop such a unique student identifier for the VET sector.²⁵²

Recommendation 19: Redesigning products for the future world of work

That Australian governments agree to:

- a) strongly support the development of the National Foundation Skills Strategy through funding of language literacy and numeracy programs to the levels recommended in *Australian workforce futures*
- b) develop as a priority a dedicated national bank of foundation skills units and qualifications at a range of Australian Qualifications Framework levels, owned and maintained by Innovation & Business Skills Australia on behalf of all industry skills councils
- c) ask industry skills councils to accelerate work on the design of qualifications so they continue to be fit for purpose and provide individuals with the adaptive capacity required for the changing world of work including:
 - achieving the right balance of skills- and knowledge-based units, particularly at higher-level qualifications and providing pathways into qualifications for learners who are preparing to enter work
 - developing industry advice to support providers in high-quality implementation of learning products and excellence in teaching and learning
- d) publicly fund skill sets under the enterprise-responsive and individual funding streams within the parameters outlined on page 123
- e) assess the impact of skill set delivery on enterprise workforce development, and on achieving pathways to higher-level learning and work, three years after the commencement of these funding arrangements.

251 NCVET (2010) *Review of the AVETMIS Standard for VET providers: outcomes from the discussion paper*, viewed at <http://www.ncvet.edu.au/publications/2336.html>

252 MCTEE communiqué (November 2010) www.deewr.gov.au/Ministers/Evans/Media/Releases/Pages/Article_101119_175018.aspx



8 Better pathways across more integrated education sectors

To help meet projected demand for higher-level qualifications and skills, progression between education sectors should be as simple as possible. We recognise the considerable progress already being made but suggest more is needed. This section considers the issue in two parts.

First, we analyse efforts to better integrate the VET and higher education sectors and report stakeholder perspectives on progress to date. To build on these efforts, we recommend a new income contingent loan scheme be available to support students studying at Certificate IV level and above and that access to Commonwealth-funded higher education places be extended to VET providers offering specialist degrees with a vocational emphasis, where they meet quality criteria. We have also recommended Student Start-Up Scholarships should also be extended to VET students. These measures would assist students to choose courses and providers for their suitability rather than cost or loan accessibility and create a more level playing field between VET and higher education.

Second, we examine the approaches across jurisdictions to school-based vocational education and training, noting stakeholder feedback and concerns. We recommend a national review to improve the quality and effectiveness of this important strategy to create alternative pathways to learning and work for school students.

8.1 A more integrated tertiary sector

Australian workforce futures projects that there will be a shortfall of more than 200,000 qualifications per year at the diploma level and above by 2025. The chief driver of increased demand for higher-level qualifications is a projected trend towards demand for higher-level skills requiring skills deepening among existing workers. The development of a more integrated tertiary sector is a strategy to support achievement of the required growth and to increase opportunity for disadvantaged students to progress in their studies and career choices.

Seamless movement from VET to higher education courses is an important mechanism for the promotion of lifelong learning, particularly for the social groups who are traditionally under-represented in education and training.²⁵³

Skills Australia is not advocating any top-down remodelling of the tertiary sector, but rather supports moves to equalise, and make more rational, funding arrangements where universities and VET providers are operating in the same space.

The Bradley review of higher education argued for a 'more integrated' tertiary education sector with stronger linkages between VET and higher education. Bradley acknowledged that both sectors had their distinctive missions, such as the VET sector's emphasis on its relationship with industry and higher education's concern with the creation as well as the dissemination of knowledge through research and scholarship.

Though the Bradley review's main focus was on universities, its messages have resonated strongly with VET providers. They see its recommendations for a more integrated tertiary sector and the

253 Chapman, B et al. (2000) *Towards a cross-sectoral funding system for education and training*, The Lifelong Learning Network, p.7



eventual inclusion of VET diplomas in the entitlement-based higher education funding model as a means of achieving greater parity with universities. This parity would include VET providers being able to access demand-based public higher education funding for their growing degree offer.

Submissions to our discussion paper supported the Bradley review recommendations for clearer and stronger pathways, and the majority supported a more integrated tertiary education sector. However, Bradley's caution in emphasising the different missions of the two sectors was echoed in several submissions that stressed the importance of the unique contribution of vocational education and training and expressed concern about the potential weakening of the vocational context:

The importance of this discussion in the context of the Bradley Review is that the VET sector and its institutions run the unintended risk of becoming a feeder-only to higher education institutions and qualifications. Whilst these pathways have importance, vocational excellence in qualifications and delivery is essential if we are to continue the development of Australia's vocational education sector. This matters because the VET sector develops such a high proportion of the skills needed by industry. **VET must become an aspirational destination.** High quality, well designed applied qualifications are an essential ingredient to delivering upon this aspiration.

| *Australian Industry Group submission (emphasis in original)*

[Business SA] supports the need for a more seamless, integrated education system, however not at the cost of losing the VET sector's distinctive identity.

| *Business SA submission*

Some industry commentators are concerned that a demand-based higher education sector could 'cannibalise' higher-level VET courses. If this were to happen it would also weaken the comparative market position of VET diplomas and advanced diplomas compared to more freely available higher education qualifications such as associate and bachelor degrees. Karmel has already identified that recent VET diploma and advanced diploma graduates occupy less senior positions than those who graduated with these qualifications 20 years ago, especially in health and education-related fields.²⁵⁴ Other stakeholders express support for advanced VET qualifications on the basis that their competencies are nationally consistent and specified by industry, unlike university courses, which can vary by provider, being developed individually by institutions.

Universities do not have effective mechanisms to recognise competency based outcomes. Vocational education was developed to help people to gain skills to apply in the workplace. VET should not be compromised to fit a curriculum or academic research/publication model.

| *NT Service Industries Training Advisory Council submission*

On the other hand some commentators have argued that VET diplomas should move towards a curriculum-based approach similar to that of higher education, with less emphasis on specific competencies and more focus on knowledge.²⁵⁵ This would make them more like community colleges in the United States, which concentrate on the delivery of two-year associate degrees as part of a transfer program into a four-year bachelor degree at a university. There was little support for this position in the submissions we received.

Skills Australia supports the position that movement towards an integrated tertiary sector should not compromise the distinct attributes of the VET sector, particularly its special connections with industry and the world of work.

254 Karmel, T (forthcoming), *The Implication of Skills Deepening for Vocational Education and Training in Australia*, NCVER

255 Wheelahan, L (2008), *Can learning outcomes be divorced from processes of learning? Or why training packages make very bad curriculum*, AVETRA

8.2 The momentum for better integration is well advanced

The move to build a more integrated tertiary sector is agreed national policy. In its response to the Bradley review, *Transforming Australia's higher education system*, and subsequently, the Australian Government has implemented a number of initiatives to progress the integration of the tertiary sector. These initiatives include:

- the formation of a single Ministerial Council for Tertiary Education and Employment
- the review of the Australian Qualifications Framework (AQF), with particular attention to improving articulation and connectivity between the sectors
- the inclusion of VET in the Education Infrastructure Fund, previously only available to higher education
- expansion of the ambit of Skills Australia to include provision of advice on workforce development and industry needs to cover both the university and VET sectors
- the establishment of the Tertiary Education Qualifications and Standards Agency (TEQSA) for higher education and the Australian Skills Quality Authority (ASQA), with a long-term plan to bring them together under one agency
- support for projects that facilitate stronger connections between the higher education and VET sectors through the Structural Adjustment Fund and the Higher Education Participation and Partnerships Program.

The Australian Government's 2009–10 budget initiatives to introduce demand-led funding for higher education and incentives to enrol a higher proportion of students of lower SES background have added momentum to this policy. Universities are actively collaborating with the VET sector to promote pathways and to build enrolments. State and territory governments are also reinforcing the implementation of these national policy measures through initiatives and announcements such as Skills Victoria's proposals for a Tertiary Education Plan,²⁵⁶ and the NSW Tertiary Education Plan.²⁵⁷ It is too early to assess the extent to which these developments are reflected in changes in the statistics on the basis of entry to undergraduate courses, the extent to which credit is granted and the proportion of low SES students undertaking higher education.

8.3 Opportunity for further integration

Integration is developing through articulation, credit transfer, dual sector institutions, joint campuses, and franchising arrangements. However, there are still impediments to a seamless tertiary sector and the opportunity exists for more to be done.

Articulation and credit transfer — how successful are they in forging pathways?

Over the past 20 years considerable effort has been put into articulation and credit transfer agreements between vocational education and training and higher education. For instance, at

256 Skills Victoria (2009) *Report advising on the development of the Victorian tertiary education plan*, December 2009

257 NSW Government *NSW Tertiary education plan*, August 2010



its July 2006 meeting, the then Ministerial Council on Education, Employment, Training and Youth Affairs endorsed a number of initiatives on credit transfer and adopted *Principles for good practice information provision on credit transfer and articulation from VET to higher education*. It also commissioned a national study of the practices in credit transfer and articulation from VET to higher education, mapped against the good practice principles. The final report, *Giving credit where credit is due*, includes recommendations to improve credit transfer.

In November 2010 the Ministerial Council for Tertiary Education and Employment approved various measures intended to strengthen the Australian Qualifications Framework (AQF). One of these measures is a new AQF Qualifications Pathways Policy,²⁵⁸ which is intended to enhance the number of pathways into and between various qualification types and to maximise the amount of credit available to students moving between qualifications. The provisions of this policy replace the previous Australian Vice-Chancellor Committee TAFE/University Credit Transfer guidelines.

However, until recently, the results of these initiatives have been mixed and possibly have not fully justified the effort expended. The creation of intersectoral pathways and the provision of credit appear to have depended upon a number of factors, such as the drive and enthusiasm of individuals within the systems; the enrolment strategies of particular universities; achieving mutual respect between parties; negotiating and implementing arrangements; ability to 'map' equivalences in course content and outcomes; ability to overcome differences in funding and accountability requirements; adequate resources to develop and implement arrangements; and ability to overcome transitional issues.²⁵⁹ In 2006 the proportion of domestic undergraduate students admitted to higher education on the basis of prior vocational education and training study (articulation) was 10.1 per cent. The proportion of students gaining credit (or exemption) for previous vocational education and training study was only 3.4 per cent.²⁶⁰

Dual sectors and joint campuses

Australia has a number of 'dual sector' universities that have large TAFE and higher education components. The majority of these are in Victoria (the University of Ballarat and RMIT, Swinburne and Victoria universities). Charles Darwin University in the Northern Territory is also a dual sector institution and Central Queensland University has recently adopted this model. Central Queensland University's decision coincides with the release of a discussion paper from Swinburne and Ballarat universities that investigates the ways in which dual-sector universities could 'evolve to become more cohesive, effective and agile organisations'.²⁶¹ Another model, dubbed an 'omniversity', which links schools, VET, foundation courses and higher education is being promoted by the University of Canberra.²⁶² Many universities, often through wholly owned affiliated colleges, offer some VET courses, but these are generally a small part of their overall activities.

There are also a number of shared campuses where independent higher education and VET providers make joint use of common facilities, such as in New South Wales at both Coffs Harbour and Ourimbah. Shared use of infrastructure can provide cost-effective approaches to service delivery and reduce expensive duplication of resources. However, this is often hindered by roadblocks such as differing funding and governance models and variations in industrial arrangements.

258 <http://www.aqf.edu.au/Projects/tabid/186/Default.aspx>, accessed 4 March 2011

259 PhillipsKPA (2006a) *Giving credit where credit is due: A national study to improve outcomes in credit transfer and articulation from vocational and technical education to higher education—final report*, DEST

260 Bradley, *Review of higher education final report*, p. 42

261 University of Ballarat and Swinburne University of Technology (June 2010) Dual sector university cohesion: a discussion paper, p. 1

262 Houston, B, UC's vision for an Omniversity', *The Canberra Times*, 9 April 2010

There has also been a growing trend for universities and VET institutions, especially in regional areas, to offer joint and closely integrated programs such as those between Charles Sturt University and the TAFE NSW Riverina Institute, where the student can seamlessly progress at the same location from a TAFE diploma to a Charles Sturt degree. Charles Sturt University offers guaranteed entry into most undergraduate courses for diploma and advanced diploma TAFE students.²⁶³ The fact that the VET sector, particularly TAFE, has such a strong regional footprint and is much more accessible than universities is critical — links forged between regional VET providers and universities can help people in regions, who are currently significantly under-represented in higher education, to gain higher-level qualifications.

Franchising arrangements

Some higher education institutions franchise some of their degree delivery to VET providers. This means that the higher education provider gives a large percentage of its funding to the VET provider but retains a portion for quality assurance purposes. The degree is accredited and awarded by the franchising university. This can be a means for VET providers to enter the higher education market in an ‘auspiced’ manner. For example, the University of Ballarat is working in association with the Melbourne Institute of Technology (MIT) to enable students to obtain a qualification from the University of Ballarat in business or information technology. The university guarantees the quality of its programs delivered at MIT and, upon successful completion, students receive a qualification that will be internationally recognised.²⁶⁴

A similar arrangement occurs where VET providers establish courses with guaranteed entry and credit to a particular university course—and the university receives a fee to cover its quality assurance. Given the growing numbers of TAFE institutes and private providers that are now accredited to run degrees and the number of universities that are RTOs, there is clear evidence that institutions are now ‘uncoupling’ from sectors.

A new group of ‘mixed sector’ institutions

With more TAFE institutes and private providers offering degrees and more universities or their subsidiaries offering VET qualifications, we are seeing the rise of what Moodie has described as ‘mixed sector’ institutions in Australia. Mixed sector institutions offer between 3 and 20 per cent of their load from another sector, as opposed to ‘dual sectors’, which offer more than 20 per cent from another sector, and ‘single sectors’, which offer less than 3 per cent outside of their core sectoral business, according to Moodie’s typology. Karmel has suggested the possible formation of ‘polytechnics’ in Australia — mixed sector institutions that offer a range of VET courses plus a substantial offer of taught (but not research) degrees. This might lead some to suggest a ‘top-down’ rationalisation and restructuring of tertiary institutions similar to the Dawkins reforms of the late 1980s which transformed the former colleges of advanced education into universities.

Skills Australia believes that institutions should grow organically to suit community and industry needs in the context of equitable access to funding. We would not wish to stop institutions offering qualifications from other sectors—whether that be a TAFE institute or a private college offering a degree or a university becoming an RTO. However, such moves should not detract from an institution serving its core clientele.

263 Charles Sturt University website *Guaranteed entry for TAFE graduates* accessed at: <http://www.csu.edu.au/for/tafe-students/guaranteed-entry-for-tafe-graduates>

264 Melbourne Institute of Technology, *Message from the Vice-Chancellor of the University of Ballarat*, <http://www.mit.edu.au/ubatmit>



8.4 VET diplomas and advanced diplomas—should they be included in a tertiary entitlement model?

Diplomas in the VET sector enhance the practical vocational skills provided by certificate-level courses, providing higher-level, specialised knowledge and skills and responsibilities for more senior job roles.²⁶⁵ In 2009 there were 157,792 enrolments in diplomas in the sector and 38,093 in advanced diplomas, a total of 195,885. By contrast, in higher education there were only 4,033 advanced diplomas and 21,360 diplomas (2008 figures). Many of the latter were in business and management,²⁶⁶ and were often designed as programs for international students at university foundation colleges. The associate degree has the potential to become a higher education alternative to the VET diploma and advanced diploma. But with university places freed up and an emphasis on widening university participation, it could be easily argued that the real alternative to the VET diploma and advanced diploma is the university-delivered bachelor degree.

As noted above, there is evidence that in several fields (for example, nursing) the diploma has been supplanted by a degree and that a diploma is more likely, on average, to lead to a lower-skilled job than it would have some years ago.

The Bradley review recommended negotiating with the states and territories to introduce a tertiary entitlement funding model across higher education and vocational education and training commencing with the upper levels of VET (diplomas and advanced diplomas). While supporting entitlement to a place at diploma level and above, we consider it premature to extend Commonwealth funding for this entitlement, as it is too early to assess the impact of an entitlement model on higher education and, indeed, on Commonwealth resources. Instead, Skills Australia supports a fully publicly subsidised entitlement for state- or territory-funded programs at lower levels (Certificate I–III) as outlined in recommendation 1. We support a co-funded entitlement shared by the state and territory governments and the individual student for VET courses at Certificate IV and above, including diplomas and advanced diplomas. For these more advanced VET programs, we see the extension of income-contingent loans to students as essential to reducing barriers to entry and achieving a level playing field with the university sector as outlined in recommendation 23a. Given the return on investment and higher individual benefit received from higher-level qualifications, there is a case for an individual contribution, provided it is supported by a loan to avoid barriers to participation. Where there is a broader economic imperative, such as the need to address skills shortages, governments may decide to fully subsidise such programs.

8.5 Facilitating integration

The impact of incentives

The Bradley review recommended reforms to support the increased participation in higher education of students from low SES backgrounds. Improving links with the VET sector was seen

265 AQF Advisory Board (2007) *AQF Implementation Handbook*, Diploma Guideline

266 Australian Government Department of Education, Employment and Workplace Relations (2009) *Students: Selected Higher Education Statistics*: all students, table 21; and NCVET VET collection: Students, 2009

to be one way of enabling low SES students, who are more strongly represented in vocational education and training than in higher education, to progress to university from VET institutions.

University and VET cooperation received a major impetus in the 2010–11 Commonwealth Budget, with the Australian Government setting targets and giving incentives to widen participation from lower socioeconomic groups in university programs. Through its Higher Education Participation and Partnerships Program, the Government has allocated \$108 million over four years to link universities with low socioeconomic status schools and VET providers.

The establishment of the Structural Adjustment Fund (\$400 million over four years) is a response to the Bradley review's recommendation for structural changes to include the creation of new models of higher education institutions and formalised collaborations between higher education institutions and TAFE institutes. On 9 March 2011, the Minister for Tertiary Education, Skills and Workforce Relations announced that Edith Cowan University was the first successful recipient under this new funding arrangement. As part of the its Curriculum 2012 project, the university will receive \$6.9 million to tailor its teaching programs to produce job-ready graduates, as well as provide additional training for teaching staff at metropolitan and regional campuses to help prepare students for employment.²⁶⁷

The Bradley review also recommended a set of national targets for groups of students who are under-represented in the higher education system. Many universities see taking more VET students, who traditionally come from lower socioeconomic backgrounds, as a strategy to achieve the targets set by the Bradley review and endorsed by government.²⁶⁸ Some VET institutions report that they are now being 'courted' by the higher education sector.

Funding of degrees — not a level playing field

There are substantial enrolments in undergraduate and postgraduate higher education courses beyond public universities. In 2009 there were nearly 60,000 enrolments in higher education programs outside of public universities.²⁶⁹ In the same year there were about 3,900 enrolments in higher education level courses (degree and above) in TAFE institutes.²⁷⁰ Programs outside the public universities are mostly offered on a 'full cost-recovery basis' but with access to an income-contingent loan provided by the Commonwealth, called FEE-HELP.

Following the Bradley review, public funding of university places is moving to an 'entitlement' system where universities can enrol as many qualified students as they can recruit: the funding follows the student. But the entitlement only applies to enrolments in public universities, not other providers of higher education, including private universities or VET institutions accredited to offer degrees. Approved additional providers may, however, access Commonwealth-supported places for specific national priority areas—currently teaching and nursing.²⁷¹ The impact of demand-based, or entitlement, funding is not known at this stage and its effect on enrolments is still being evaluated.

267 Ministers media centre (9 March 2011), *Structural Adjustment Fund gives universities an edge*, Media release, Senator the Hon Christopher Evans, accessed at: http://www.deewr.gov.au/Ministers/Evans/Media/Releases/Pages/Article_110309_172257.aspx

268 Australian Government Transforming *Australia's higher education system* (2009) p. 62

269 Australian Government Department of Education, Employment and Workplace Relations (2009), *Students: Selected Higher Education Statistics* <http://www.deewr.gov.au/HigherEducation/Publications/HEStatistics/Publications/Pages/Students.aspx>

270 NCVER, *Students and courses 2009*

271 Australian Government Department of Education, Employment and Workplace Relations *Going to Uni: Commonwealth supported places*, accessed at <http://www.goingtouni.gov.au/main/feesloansandscholarships/undergraduate/commonwealthsupportforyourplaceandhecs-help/commonwealthsupportedplaces.htm#3>



An issue, then, is whether VET providers should have access to Commonwealth-funded higher education places. Currently the system allows universities that register as an RTO to access public VET funds — there are 14 universities registered as RTOs and accessing public funds.²⁷² However, TAFE or private VET providers that register to deliver higher education are excluded from accessing public higher education funds other than for delivery in specific national priority areas, as mentioned above.

From a student perspective, the variation in fees and loan support for similar tertiary qualifications offered by different providers can be confusing and may well influence their choice of provider. For example, a prospective student may choose a higher education program not because it best meets their needs, but because it provides a clear and readily accessible income-contingent loan.

Therefore, we consider there is a case to extend public funding to VET providers offering specialist degree programs with a vocational emphasis, especially those in skills shortage areas. One justification for this is that many professions, such as podiatry, that formerly demanded VET credentials are now requiring higher education qualifications.²⁷³ A greater number of 'intermediate occupations' are now demanding degrees rather than VET credentials,²⁷⁴ therefore it makes sense for VET to offer degrees in areas where it has always had expertise.

Recommendation 20: A more integrated tertiary sector

That Australian governments agree to:

- a) ensure a 'level playing field' between VET and higher education providers so that there are no perverse incentives for students to choose courses and institutions on the basis of fee structures rather than career choice, interests and aptitudes
- b) give access to Commonwealth-supported higher education places to VET providers who meet certain quality criteria for specialist degrees with a vocational emphasis.

8.6 The multiple purposes of VET in Schools programs

VET in Schools programs have emerged as a key secondary education stream providing valuable alternative pathways to further education and employment for many young Australians. This is important as governments have mandated higher school leaving age requirements and COAG targets aim to boost the proportion of young people aged 20 to 24 years with Year 12 or equivalent qualifications. Successfully engaging this increasingly diverse student cohort is critical. Many argue that providing and expanding VET opportunities in schools has kept many senior secondary students successfully engaged in education who might otherwise have left school with poor results.

In 2009, there were 168,400 16- to 18-year-olds undertaking VET in Schools courses, representing 33.8 per cent of 16- to 18-year-olds in school.²⁷⁵ The introduction of VET in Schools programs that are integrated with the AQF and Senior Secondary Certificates of Education has added value not only by broadening pathways and increasing retention, but also by aiming to give students the opportunity to gain valued credentials. More students are successfully gaining secondary school senior certificates and concurrently achieving either full AQF vocational qualifications or credit towards them.

272 Data provided to Skills Australia by NTIS, October 2009

273 Karmel, T (2010) 'A changing labour market and the future of VET', paper presented at the CEET annual conference, 29 October 2010

274 Karmel, T (2010) *What's been happening to vocational education and training Diplomas and Advanced Diplomas?*, NCVET

275 NCVET (2010) *VET in Schools 2009*

However, while VET in Schools has achieved many positive outcomes, doubts have been expressed, in the literature, as well as in submissions and consultations with Skills Australia, about the quality and design of VET in Schools programs. Some have also questioned the value of their outcomes. Anlezark and others argue that there is stronger retention from Year 10 to Year 11 in schools that offer VET courses but a negative effect on retention from Year 11 to Year 12, leading the authors to question whether these programs might be better targeted at younger students in order to improve school retention.²⁷⁶ The Longitudinal Surveys of Australian Youth show that students who have participated in VET in Schools programs are proportionately more likely to take up post-school VET.²⁷⁷ However, research also shows that the effect of VET in Schools on post-school activities is dependent on the program structure. Students who participate in VET programs with high levels of workplace learning are more likely to enter further VET study and less likely to be unemployed.²⁷⁸

Lots of positives, but some persistent concerns

Many submissions were very supportive of VET in Schools programs and highlighted the contribution they make to student choice and pathways to work and to further learning. However, some raised concerns such as lack of national consistency, poor assessment, inadequate on-the-job training, funding complexities and variable teaching quality.

There appears to be confusion among stakeholders about the range of programs offered, their purpose and their relationship to Australian Quality Training Framework VET qualifications and potentially competing objectives. The role of the Trade Training Centres program and the recently announced National Trade Cadetship program was unclear to some respondents. Concerns were also raised about school-based apprenticeships, including that in some cases this affects entitlements to incentives when the student wants to continue their apprenticeship after school.

Inconsistencies and the lack of common standards in VET in Schools delivery between states, territories and individual schools were the issues most frequently raised by stakeholders. The recently released report on apprenticeships highlighted this issue and recommended government:

Formally regulate the quality of VET in Schools within the VET system to enhance consistency and quality of training across all jurisdictions and to recognise the potential of VET in Schools as a pathway into an apprenticeship or traineeship.²⁷⁹

A number of submissions expressed support for improved consistency in the system—many called for nationally consistent VET in Schools and school-based apprenticeship authorisation and programs. For example, one submission argued that:

If there were nationally consistent agreements on how VET qualifications and competencies contributed to the school leaving certificate and common acceptance across states and territories of nominated school-based apprenticeships the options for school students would be clearer and pose no disadvantage.

| *Business Services Industry Skills Board SA Inc.*

Accreditation differs between jurisdictions and individual RTOs. For example, while in some jurisdictions it is compulsory for all VET subjects to meet full AQTF accreditation, this is not the

276 Anlezark, A, Karmel, T and Ong, K (2006) *Have school vocational education and training programs been successful?*, NCVET

277 *ibid.*

278 Coates, H and Rothman, S (2008) *LSAY briefing number 15: Participation in VET in schools*, ACER

279 Australian Government Department of Education, Employment and Workplace Relations (2011), *A shared responsibility: Apprenticeships for the 21st Century*, final report of the expert panel, p. 15



case in all jurisdictions. Some schools offer VET subjects that are school delivered and school assessed only and not subject to AQTF requirements.²⁸⁰ The regulatory frameworks for VET in Schools also differ. In some cases schools work in partnership arrangements with non-school VET providers. In other cases, schools or regions are RTOs in their own right and need to meet all quality standards. Additionally, the amount of time that a student spends in structured workplace learning depends on the school and jurisdiction. Some jurisdictions, such as New South Wales, have made on-the-job training mandatory for all VET in Schools programs, while others leave it up to training package guidelines.²⁸¹ This means that some students can complete a Certificate III qualification without any work placement, whereas others may spend up to two days a week in the workplace or with a registered training provider. However, to be fair, this same criticism could be levelled at many VET programs delivered by non-school RTOs.

There are also concerns about the wide variation in the range of programs offered both between and within jurisdictions. There appears to be narrowness in the industry focus of the courses students are choosing or being offered through VET in Schools. This may be due to lack of facilities, or of appropriately qualified teaching staff, or of well informed school career advisers or of employers willing to take on school-based apprenticeships. For example, VET in Schools achieves comparatively few enrolments in traditional trades — 13.7 per cent of all VET in Schools students are undertaking a qualification related to a technician/trade occupation. The most popular courses are tourism, hospitality and events (16.2 per cent), business services (13.7 per cent) and ICT (11.3 per cent).²⁸² This may be attributable to either a lack of interest from students or the difficulties schools face in resourcing equipment, teachers and facilities for teaching trades.

Finally, there are inconsistencies in how VET in Schools courses relate to the school leaving certificate and university entrance scores. Some contribute towards an Australian Tertiary Admission Rank (ATAR), while others do not.

How does VET in Schools work in practice? — Victoria, South Australia and New South Wales

Undertaking a Victorian Certificate of Applied Learning (VCAL), which is an accredited secondary certificate providing a 'hands-on' option for students in Years 11 and 12, does not contribute towards an ATAR. However, some universities may consider students with a VCAL Senior Certificate for admission.²⁸³

In South Australia, VET studies count towards the South Australian Certificate of Education and, in some cases, towards a student's Tertiary Entrance Rank.²⁸⁴

In New South Wales, board-developed VET courses (called industry curriculum frameworks) contribute to the Higher School Certificate and allow students to sit for an optional examination which can contribute to the ATAR. However, board-endorsed (non-framework) courses contribute to the School Certificate or Higher School Certificate, but not the ATAR.²⁸⁵

280 Coates and Rothman, *LSAY briefing number 15: Participation in VET in schools*

281 House of Representatives Standing Committee on Education and Training (2009) *Adolescent overload? Report to the inquiry into combining school and work: supporting successful youth transitions*, pp. 118–121

282 NCVET (2010), *VET in Schools 2009*

283 Victorian Curriculum and Assessment Authority, *Information for students and parents*, accessed at <http://www.vcaa.vic.edu.au/vcal/students/index.html>

284 Government of South Australia, *TAFE SA Information for Students*, accessed at <http://www.tafesa.edu.au/apply-enrol/vet-in-schools/vet-information-students.aspx>

285 NSW Department of Education and Training, *About VET in Schools Courses*, accessed at <http://www.det.nsw.edu.au/vetinschools/vet/index.html>

Workplace training

Industry consistently argues that for VET in Schools to provide meaningful pathways for students, qualifications need to provide adequate workplace training. There is also considerable criticism of the ability of VET in Schools to provide enough workplace training to be comparable to other VET courses or for a student to be deemed work-ready.²⁸⁶

Business Skills Victoria in its submission also queried what it perceives to be the lack of on-the-job training:

VET Certificate III school based qualifications undermines the concept of VET, i.e. how can a trainee be classed as vocationally competent when they have not been in a vocation?

The Mining Industry Skills Centre echoed this concern:

The biggest concern the resources sector has with school-based delivery is that school leavers are being issued with Certificate II and III qualifications from the RII training package, with all of their competencies learnt in simulated environments. They then come on site as qualified but have to be re-trained or receive further training as their skills do not meet industry standards.

As mentioned above, in some jurisdictions structured workplace learning is mandated, but because this is not universal it is creating industry concern.

Ensuring confidence in the expertise of the VET in Schools workforce

The expertise and qualifications of VET in Schools teachers, practitioners and career advisers is another area of debate. VET in Schools requires teachers with the capacity to work across sectors; however, there are different qualification requirements for secondary teaching and post-secondary education.²⁸⁷ Secondary teachers wishing to deliver AQTF-compliant VET in Schools programs are required to have appropriate industry qualifications and experience plus the teaching qualifications mandated under the AQTF. However, there is a persistent view that too many VET in Schools programs are being delivered by teachers without relevant and current industry experience.²⁸⁸ As one submission argued:

There needs to be a considerable increase in professional development in the school sector on Vocational Education and Training, not only from a qualification and delivery point of view but also from an industry and career perspective.

| *Food Fibre & Timber Industry Training Council submission*

These concerns may also reflect the fact that some VET in Schools programs, although endorsed by boards of studies as vocational subjects, may not be subject to AQTF requirements. Yet many in industry—and indeed the parents, teachers and students themselves—may not appreciate this distinction. This then raises the question of whether there should be better differentiation of the two types of VET in Schools programs: those that lead to AQTF qualifications and those that are vocational in a more general sense and developed by boards of studies under a different rubric.

286 House of Representatives Standing Committee on Education and Training (2009) *Adolescent overload? Report to the inquiry into combining school and work: supporting successful youth transitions*

287 Currie, W and McCollow, J (2002) *Vocational education and training in public schools: enhancing student career options*, AEU

288 Get Access Now, *VET in Schools teachers*, accessed at <http://getaccess.wa.gov.au/careers/profiles/data/OCC262.asp>, accessed 11 March 2010



Funding complexity can create barriers

The Australian Government provides significant financial support to VET in Schools programs through general funding to states and territories under the National Skills and Workforce Development Agreement and directly through the Trade Training Centres program and, in future budget years, through the National Trade Cadetships program.

VET in Schools funding is an issue that is frequently cited as problematic, largely due to the intersection of schools and VET funding resulting in complex and sometimes inadequate funding arrangements.

Many schools point to inadequate funding as a disincentive for participating in VET in Schools initiatives—they are concerned about the additional costs of providing VET programs, as well as potentially losing funding for their students who are studying in TAFE or with other providers. For example, in Victoria funding for VET in Schools comprises targeted funding allocated exclusively, for every eligible VET in School certificate enrolment, for schools to deliver VET programs. However, where the cost of VET in Schools delivery exceeds the targeted funding amount, schools are expected to draw on core Student Resource Package funding to meet tuition costs.²⁸⁹ Where delivery of training is undertaken externally, this funding is meant to be forwarded to the RTO; however, there are reports that schools are resistant to do so.²⁹⁰

There are also many instances where parents are required to pay additional fees to cover the cost of VET in Schools. This is a potential barrier to participation. One submission noted:

The funding of VET in Schools remains complex. It is clear that VET in Schools is more costly than general school subjects, and provision must be made in funding models for this.

| Office of the Queensland Studies Authority submission

The complexity inherent in high degrees of flexibility

The VET in Schools system is highly complex. In part this is due to a commitment by educators to provide the flexibility required to meet individual learner needs, allowing students to choose from a range of pathways, a laudable objective. Many educators have also been concerned to ensure that students are not 'streamed' too early and are given time to make the choice between vocational and academic studies. As a result, VET in Schools programs may range from general vocational learning programs that aim to introduce students to the world of work to those with specific vocational outcomes as defined in training packages. The nature of programs offered is variable and largely determined at the school level.

The DEEWR website defines VET in Schools programs as:

programs undertaken by school students as part of the senior secondary certificate that provide credit towards a nationally recognised VET qualification within the Australian Qualifications Framework. The training that students receive reflects specific industry competency standards and is delivered by a Registered Training Organisation or a school in partnership with a Registered Training Organisation.²⁹¹

289 State Government Victoria, *Student Resource Package Guide—Vocational Education and Training in Schools*, accessed at <http://www.education.vic.gov.au/management/srp/budget/ref056/default.htm>

290 Rooks, H (2010) *Stronger futures for all young Victorians: discussion paper responses*, accessed at <http://www.eduweb.vic.gov.au/edulibrary/public/commrel/strongerfutures/morrison.pdf>

291 Australian Government Department of Education, Employment and Workplace Relations *Vocational Education in Schools*, accessed at <http://www.deewr.gov.au/schooling/careersandtransitions/vocationallearning/pages/vocationaleducationinschools.aspx>

Yet various jurisdictions offer a range of vocational learning pathways and subjects that do not fit this strict definition. For example, although some jurisdictions stipulate that all VET subjects must be accredited to meet the requirement of the industry-specific training packages, full AQF accreditation is not deemed essential by all systems. There are some jurisdictions in which schools may offer VET subjects that are school delivered and school assessed only.

Another factor driving complexity is a concern to ensure that students following vocational studies are not denied the opportunity to apply for university entrance. As Poesel points out:

Integrating vocational modules within a senior certificate subjects was regarded as a way of ensuring these subjects did not compromise the awarding of a senior certificate allowing entry to university. The level of integration has progressed to the extent that many VET subjects are assessed with grades (in addition to competency assessment) and count towards university entrance scores.²⁹²

However, the varying status and pathways associated with the choice of programs and combinations of subjects can make it difficult for students and parents to understand and evaluate their options. This means that ideally students must be clear on what they intend to do after school and therefore what qualification and subjects are most appropriate.

VET pathways — Victoria

In Victoria, school students can choose from the following study options/combinations:

- The *Victorian Certificate of Education* (VCE) is the certificate that the majority of students in Victoria receive on satisfactory completion of their secondary education. The VCE provides diverse pathways to further study or training at university or VET and to employment.
- The *Victorian Certificate of Applied Learning* (VCAL) is a 'hands-on' option for students in Years 11 and 12. The VCAL provides practical work-related experience, as well as literacy and numeracy skills and the opportunity to build personal skills that are important for life and work. VCAL is an accredited secondary certificate.
- VET can be included within the senior secondary certificates, VCE and VCAL. Students undertake nationally recognised training from either national training packages or accredited state curriculum which may contribute to their VCE and/or VCAL.

In addition to these state-based study options, students can also choose from programs such as School-based Apprenticeships and will soon be able to enrol in the recently introduced National Trade Cadetships program.

292 Poesel, J (2010), 'Vocational education and training (VET) and young people: the pathway of the poor?', *Education and Training*, vol. 52, no. 5, p. 417



School-based apprenticeships

School-based apprenticeships provide a pathway from school to employment by allowing students to start an apprenticeship or traineeship and gain experience in the workforce while finishing school. School-based apprenticeships represented just over 6 per cent of all apprenticeship commencements in 2009. Around 30 per cent of all school-based apprenticeships are in technician/trades occupations, which is relatively low compared to the 52.5 per cent in the rest of the publicly funded VET apprentices-in-training cohort.²⁹³

School-based apprenticeships are considered by many employers to be superior to other VET in Schools programs as they provide mandatory structured on-the-job training, with students generally spending one day a week in the workplace. However, they are not universally supported.

With the increase in school based apprenticeships and Australian Technical Colleges the world is getting turned upside down. Schools are trying to teach trades while VET trade colleges are being forced to teach reading and writing.

| Confidential submission

There is also some scepticism about their value as a genuine vocational pathway. Employers interviewed for one study expressed a lack of enthusiasm for school-based apprenticeships, because of their part-time nature and low qualification level (generally Certificate II), and often seen 'at best as a pre-employment training program'.²⁹⁴ A number of submissions to Skills Australia were in favour of abolishing the term 'school-based apprenticeships' and having VET in Schools programs established (and referred to) as 'pre-apprenticeship programs'. However, there were also a number that were opposed to the apprenticeship/traineeship pathway being seen as an interim or trial step towards employment.

School-based apprenticeships leading towards a Certificate III or IV qualification can take up to three or four years to complete and therefore usually require further study and work after Year 12.

There are also inconsistencies in the requirements for and delivery of school-based apprenticeships between jurisdictions (see Table 8.1). One submission noted that:

Varying delivery arrangements across jurisdictions are also likely to affect industry and employer attitudes towards School Based Apprenticeships. In Victoria, more than 60 per cent of school based apprenticeships are at level Certificate III or IV

| Victorian Government submission

293 NCVER (2010) *VET in schools 2009*

294 Choy, S et al. (2008) *Effective models of employment-based training*, NCVER, p. 17

Table 8.1 Variation in Australian school-based apprenticeship requirements across jurisdictions

	Hours per week/time required	Additional requirements	Comment
ACT	Minimum of 11 to maximum 20 hours per week	Principal's signature (additional forms required)	
NSW		Full training plan including school endorsement/principal's signature	
Qld	Minimum of 48 days paid work per annum	RTOs must complete an Education Training Employment Schedule with the employer, school and parent	
SA	Minimum of eight hours per week	Training contract must be accompanied by full training plan endorsed by school principal	Student must be enrolled in South Australian Certificate of Education Part of the training or on-the-job component should take place during school hours
Tas.	Minimum of eight to maximum of 15 hours per week	Full training plan endorsed by principal required to register the apprenticeship Additional forms required	Employers must apply and be approved to have School-based Australian Apprentices prior to the sign-up takes place, except for administration and retail qualifications
Vic.	Minimum of 13 hours per week, averaged over three periods of four months in each year of the apprenticeship or traineeship*	RTO notification form plus signed training plan	
WA		Training and employment schedule required to register the training contract	

Source: DEEWR (2011) *A shared responsibility: Apprenticeships for the 21st century*, final report of the expert panel

* Of this time, a minimum of seven hours is in employment and six hours is in training, except where the apprenticeship is fully workplace based.

A new initiative — the National Trade Cadetship program

The Australian Government recently announced the National Trade Cadetship program. The program will, from 2012, offer students from Years 9 to 12 a new option under the national curriculum. This cadetship will be delivered through Trades Training Centres and other eligible venues, under two streams:²⁹⁵

- *National Trade Cadetship— Foundation*, which will focus on essential work-readiness skills and laying the foundation for further training
- *National Trade Cadetship—Pre-Apprentice*, which will focus on a specific trade or occupation area.

295 The Australian Government's Trade Training Centres initiative was announced in May 2006 with the provision of \$2.5 billion over 10 years (2008 to 2017), to enable all secondary students to access vocational education through Trade Training Centres. Through the program, schools can apply for funding to build new, or upgrade existing, trade or vocational education and training facilities. The aims of the program are to help increase the proportion of students achieving Year 12 or an equivalent qualification; ensure students have access to high-quality, relevant education and training opportunities; and help address national skills shortages in traditional trades and emerging industries. While Certificate III or above qualifications in traditional trade occupations experiencing skills shortages are the highest priorities for Trade Training Centres, other qualifications are also eligible, in particular, programs that provide guaranteed pathways to, or which may lead to partial credit for, a Certificate III qualification.



While submissions were generally supportive of Trade Training Centres and the National Trade Cadetship program, some concern has been expressed that the cadetships will be limited to Trade Training Centres, which may limit their accessibility. Furthermore, the introduction of new programs could add even more layers of complexity to the system—making it more difficult for students to choose courses and a pathway. For example

The interrelation of SATs, Structured Workplace Learning (SWL) and the Federal Government’s Cadetship proposal needs clarification, as does the role of Trade Training Centres (TTCs) in schools in the provision of skills in areas of industry shortage.

| *Office of the Queensland Studies Authority submission*

The relationship of the National Trade Cadetships to existing VET in Schools programs is yet to be clarified.

The need for a national review

As noted above, VET in Schools has multiple objectives and is complex in its operation. The objectives include increasing school retention and increasing levels of post-school education, training or employment. It is also clearly meeting the needs of large numbers of students. Yet there is tension between what are sometimes seen as competing objectives. A research project by Service Skills Australia into VET in Schools practice confirms this.²⁹⁶ As it stated in its submission:

Our 2010 Research Project into VET in Schools practice indicates that there are such fundamental differences in VET in Schools practice—resulting in inconsistent outcomes—that there is urgent need to confirm a common purpose.

Skills Australia considers, in the light of such concerns and those documented above, that it would be timely to undertake a national review of the VET in Schools program to make sure it is providing pathways to work and further learning in the most effective way possible. The Australian Curriculum Assessment and Reporting Authority is developing the Australian Curriculum, which will set out what all young people should be taught through the specification of curriculum content and the learning expected at points in their schooling.²⁹⁷ The authority has also been charged with the responsibility for developing the National Trade Cadetships, in partnership with industry skills councils, Skills Australia and states and territories.²⁹⁸

We therefore recommend that the authority consider all VET in Schools programs in the development of the National Trade Cadetships process, and that Skills Australia work collaboratively with it.

Recommendation 21: VET in Schools

That industry and governments undertake a national review of VET in Schools to pursue in more depth the issues raised in consultations.

This review should investigate how the system is currently operating across the states and territories with a view to outlining a strategy to improve the quality, effectiveness and industry acceptance of these programs.

296 Service Skills Australia (2010) *Services Industries: VET in Schools Project*, accessed at [http://www.serviceskills.com.au/sites/default/files/VET%20in%20Schools%20Project%20Report%20FINAL%20\(2\).pdf](http://www.serviceskills.com.au/sites/default/files/VET%20in%20Schools%20Project%20Report%20FINAL%20(2).pdf)

297 Australian Curriculum Assessment and Reporting Authority, *Australian Curriculum*, accessed at: <http://www.acara.edu.au/curriculum/curriculum.html>

298 Julia Gillard and Labor, *National Trade Cadetships*, Fact Sheet, accessed at: <http://www.alp.org.au/agenda/national-trade-cadetships>

9 Securing prosperity — investing in skills for participation and productivity

Skills Australia’s goals for an expansion in VET qualifications and increased support services to improve access and completion rates cannot be met without substantial increases in resourcing and changes to the existing investment framework.

In this section we outline and quantify specific investment proposals for the period to 2025. We also make recommendations that:

- a co-contribution financing framework be introduced, to increase the contribution that enterprises and individuals make to skill development, particularly individuals undertaking higher-level qualifications
- incentives be put in place to encourage support for and improved outcomes for disadvantaged students
- changes are made to the indexation mechanisms used for the sector to better reflect the real cost of service delivery.

9.1 Investment to deliver the changes we need

Skills Australia believes that increased and sustained investment is needed to enhance the capacity of the VET sector to deliver the highly skilled population Australia needs to improve workforce participation, promote social inclusion and enhance productivity growth.

However, this investment has to be accompanied by a redesign of the investment framework across the sector — to place learners and enterprises at the forefront of the system. This will necessitate a change to the way in which funding of training has traditionally been managed.

An underpinning principle of our recommendations is the removal of barriers to participation in training confronting learners and enterprises through the introduction of demand-led funding. This will require stimulating the take-up of training by individuals and enterprises and uncoupling funding from the usual channels of direct funding to institutions on the basis of planned intakes. These measures were discussed in sections 2 and 3. It also involves removing the constraints on training providers in the way they can respond to the demands from learners and enterprises.

The investment capacity and commitment of governments will be required to realise the dimension of transformation needed. But this is a responsibility that should not be carried by governments alone. Our proposed reform of the investment framework entails a partnership approach to investment by government, individuals and enterprises, with an increased contribution being borne by those individuals or enterprises who stand to benefit most from the skills that are gained.

Skills Australia believes that this is an investment well worth making. For governments, there is demonstrable long-term value to be gained through a more employable workforce with higher skill levels and increased national output from improvements in employment participation. As noted in section 1, we estimate that our recommendations could increase employment and output by 6 per cent by 2025, and raise the operating balances of Australian governments by as much as \$24 billion (2005–06 dollars) each year. For individuals, higher levels of education are strongly associated with sustained employment, higher levels of income and social wellbeing. Firms likewise benefit from the greater competitiveness and resilience associated with a more highly skilled workforce.



9.2 Estimating the investment needed

Table 9.1 estimates the cost of the total package of reforms recommended by Skills Australia over the next 15 years to enable:

- an expansion in VET qualifications by 3 per cent per annum
- the growth in existing support services, such as student financial support and apprenticeship support services, to accompany the expansion of delivery
- new initiatives to better meet the increased demand for and additional costs of case managed, more tailored or intensive form of learner support, especially for those from disadvantaged backgrounds
- new initiatives to improve the sector's capability to address skills deepening, the challenges of the digital age and greater skills use.

It shows the requirement for an additional \$310 million per annum, accumulating, from \$8,286 million in 2008, so that total funding rises to an estimated \$10,283 million in 2015 and to almost \$12 billion in 2020. This is an average increase in funding of just on 3 per cent per annum over the period, about the same rate that funding rose in real terms from 2003 to 2008.²⁹⁹

In more detail:

- the projection of places in tertiary education has been undertaken to yield a 3 per cent per annum average growth in the number of qualifications completed
- the estimates assume an improvement in course completion rates
- as a result the increase in student numbers in AQF courses is projected to increase by 2.7 per cent, a lower rate than the increase in qualifications
- additional support, largely for the new initiatives, add to total funding required so that the total increase over the period grows by just over 3 per cent per annum.

The proposed annual commitment in public funding of just over 3 per cent per annum accumulating is approximately the same as the projected increase in the required number of qualifications needed to meet estimated demand. In effect, this represents only a very marginal increase in funding per qualification completed, despite the increasing complexity of the task. The overall funding estimates have been constrained by allowing for an improvement in the effectiveness of the sector by factoring in an increased completion rate over the period.

²⁹⁹ The average yearly rate of growth of the base VET funding was 3.5 per cent in real terms 2005–09. This included the large increase in Australian Government funding in 2009. The average for 2005–08 was 1.7 per cent.

Table 9.1 Recommendation for total growth in funds for publicly supported VET to 2025³⁰⁰

Source	2008	2010	2015	2020	2025
Student numbers '000	1670	1757	1943	2200	2502
Qualification completions '000	298	316	367	424	489
Funding for VET places (including 3% growth)	\$6,140	\$6,500	\$7,300	\$8,300	\$9,620
Existing support programs (3% growth applied)					
Student assistance (VET)	451	478	555	643	745
LLN support programs	WELL	15	22	39	53
	LLNP	68	72	125	167
	Sub-total LLN	83	94	164	190
Employer incentives and apprenticeship programs	\$1,612	\$1,700	\$1,773	\$2,006	\$2,295
Subtotal existing programs	\$2,146	\$2,273	\$2,472	\$2,839	\$3,261
New support initiatives (3% growth applied)					
Student assistance (VET start-up scholarship)			234	270	312
Support programs for disadvantaged learners (AWF)*			183.6	492.6	801.6
Workforce development programs (AWF)	Expansion of Enterprise Connect Program		26	26	26
	Industry/regional cluster program		15	15	15
	Workforce Development Observatory		4	4	4
	A new collaborative planning framework		2	2	2
	Sub-total workforce development programs		46	46	46
VET workforce development strategy			42	47	52
Reform implementation initiatives			5	0	0
Subtotal new programs			\$511	\$855	\$1,212
Total	\$8,286	\$8,773	\$10,283	\$11,994	\$14,092

Source: Brown and Long (unpublished), commissioned by Skills Australia. Values are in 2008 dollars (millions).

* AWF indicates new initiatives proposed in *Australian workforce futures*.

The following discussion provides an overview of the proposals in Table 9.1.

300 Publicly supported VET includes all the funds of public providers and the public funds of private providers. The base funding for VET places in this table comprises operating and capital funding. Private funding is included except for funds from international students. Estimates based on NCVET financial information for 2008 and 2009. All other items listed in the table are currently government funded.



What is ahead of us? Calculating the necessary supply of VET qualifications

In 2009 1.7 million Australians enrolled in the public VET system — about one in every nine 15- to 64-year-olds.³⁰¹ Additional students are enrolled in private vocational education and training, although limited data means that it is difficult to know exactly how many more. Some internal NCVER estimates indicate that the private VET enrolments are large, though less than in the public sector. Recently, a high proportion of these have been international student enrolments.

Skills Australia examined both the expected supply of newly qualified people from the education and training system and from skilled migration and the expected growth in demand for qualified workers to 2025. The projections pointed to a shortfall in the supply of skills if economic, demographic, migration and labour force parameters approximate recent policy (the Open Doors scenario):

Modelling of the Open Doors scenario indicates that the number of people to hold tertiary qualifications (at any level) increases by some 5.5 million between 2008 and 2025, at which time over three-quarters of employed people (76 per cent) will have non-school qualifications. This approaches, but does not achieve the COAG target which contemplates 76 per cent of working age Australians having a qualification at Certificate III or above by the earlier date of 2020. Skills Australia's estimates, based on our modelling, are that in 2020 Australia's demand for people with qualifications at Certificate III and above will be more than 1.5 million people short of achieving the COAG goal.³⁰²

Persisting with current levels of VET provision will result in shortages of skilled labour and skills gaps among those employed that will constrain long-term economic growth. If demand for skilled labour is to be met and potential constraints on economic growth avoided, the number of graduates in tertiary education needs to increase by 3 per cent per annum.

The Open Doors scenario projects overall growth in supply and demand that is quite similar for VET and higher education, though it differs among the particular levels of qualifications (with demand for Certificates III and IV relatively low). A focus on developing a high-skills workforce might have led to an expectation that the demand for higher education qualifications would grow relatively faster than for VET qualifications. Instead, we find that the continued growth of VET is underpinned by the pattern of economic growth, labour mobility, retirement and the VET sector's important role in articulation to further study and as a stepping stone to higher education.

If all tertiary education is to expand by 3 per cent per annum, a large part of the growth will have to be drawn from those groups previously under-represented for whom VET programs will be a necessary starting point and pathway to higher qualifications.

Skills Australia undertook further modelling of the costs of this expansion and related programs.³⁰³ The modelling suggested that the increase in costs can be mitigated by improvements in completion rates. More sustained growth in completions over and above that estimated would represent greater efficiency in the system and the likelihood of more successful learning pathways for individuals, qualification deepening and improved workforce participation outcomes. The introduction of outcomes-based funding as recommended in section 6 is intended to shift the sector's focus on

301 NCVER (2010) *Students and courses 2009*, p. 2. Includes domestic students enrolled with private VET providers with public funding

302 Skills Australia, *Australian workforce futures*, p. 15

303 Brown, J and Long, M (2011) *Financial modelling and options for future investment in VET* (unpublished), commissioned by Skills Australia

this issue. However, we were cautious not to overestimate the degree of change that might be accomplished in the short term. A gradualist approach has been adopted in the modelling due to the need to fully understand the complexities involved in changing completion rates, their sensitivity to changes to funding arrangements and the implications for quality assurance.

We estimate that the growth in the supply of additional VET qualifications of approximately 3 per cent per annum over the period would entail an increase from \$6.5 billion in 2010, to \$8.3 billion in 2020, or an average of \$180 million accumulating.³⁰⁴ However, this estimate represents a 'raw', or growth-only, investment. It does not take into account the necessary investment in support programs associated with the expansion of participation—student assistance, apprenticeship support and language, literacy and numeracy support. Nor does it incorporate the funding required for the introduction of the essential new programs we have recommended in order to increase the support for disadvantaged learners or the professional development of the VET workforce. These are detailed further below.

Breaking old patterns of participation: creating pathways into learning and work

As we argued in *Australian workforce futures* and discussed in section 1, higher qualification levels among the population are central to achieving the goal of increasing Australia's workforce participation to 69 per cent by 2025.³⁰⁵ This higher workforce participation ratio is consistent with the higher workforce qualification and skills profile that would result from our recommended increase in education and training. International comparisons also suggest that this higher workforce participation rate is feasible. Nevertheless, the challenge is substantial—without concerted intervention, workforce participation is projected to decline from 65.1 per cent to 63.9 per cent in 2025 due to the ageing of the population.³⁰⁶

As already noted, the rewards are potentially very substantial, as higher workforce participation is a major contributor to social inclusion, productivity and economic growth.

There is a strong case for enhancing the capacity of the VET sector to deal with the more complex needs of learners new to tertiary education. An important aspect of the focus on raising the qualification profile of the Australian population is moving people across the threshold from being without any post-school qualification to becoming tertiary qualified. As noted in section 2, the vocational education and training sector has a stronger profile in appealing to and attracting proportionally more disadvantaged and older learners than that of other education sectors.

There is still much unrealised potential among those without tertiary education and training. Enrolment rates for higher-level VET qualifications are low among disadvantaged students.³⁰⁷ Reaching more students and achieving better outcomes for those with more complex learning needs will entail increasingly personalised or individually tailored learning and case-management initiatives. There is also the need for embedded language, literacy and numeracy (LLN) training at all stages of skills development.

304 In 2008 dollars

305 Skills Australia, *Australian workforce futures*, p. 3

306 Swan, W (2010) *Intergenerational Report 2010: Australia to 2050*, Australian Treasury

307 See Skills Australia, Discussion Paper p.31. For a more detailed discussion of this issue, see Wheelahan, L (2009) *What kind of access does VET provide to higher education for low SES students? Not a lot*, National Centre for Student Equity in Higher Education Launch & Forum, University of South Australia, 25–26 February 2010



The VET sector will need an integrated package of initiatives to facilitate the learning and course completion of the expected increase in enrolments by disadvantaged learners—especially in the context of declining real funding per hour over the last decade or longer.

These initiatives are:

- *Targeted programs for lower socioeconomic status students.* We recommend that additional funding of \$60 million commencing in 2012–13, increasing progressively to \$493 million annually by 2020, be provided to support needs of vulnerable learners. These programs will assist in delivering more personalised learning as well as the better integration of language, literacy and numeracy in vocational programs across the whole of VET. We propose that part of this funding could be reserved as performance reward initiatives for VET providers that demonstrate improvements in learners' LLN outcomes and/or improved outcomes for students from lower SES backgrounds.
- *An expansion of foundation skills programs in workplaces and for the unemployed.* In *Australian workforce futures* we recommended that funding for LLN programs be increased substantially. The additional funding allocated in the 2010–11 federal Budget, while timely, will not meet all the needs of the estimated 4.7 million people in the labour force who experience difficulties with language, literacy and/or numeracy. We propose:
 - that funding for the Workplace English Language and Literacy (WELL) Program be lifted initially to \$36.0 million in 2012 and then progressively to \$45.6 million by 2020
 - that funding for LLN programs for the unemployed should similarly be increased to \$114.0 million in 2012 and then progressively to \$144.4 million by 2020.
- *Extending the student assistance Start-up Scholarship to VET students.* We recommend that Start-up Scholarships currently only available to commencing full-time higher education students are also made available to full-time VET students. The initial estimated cost is \$202.3 million from 2013 rising to \$270 million in 2020.

Deepening sector capability—the quality of teaching and learning

Section 5 argued the need for the further development of the skills of the VET sector workforce. Such workforce development will address the need for deeper levels of professional expertise among existing and new VET practitioners.

The skills of VET teachers will be challenged by the greater range of the social and educational backgrounds of their students—a consequence of the expansion of the system and a renewed emphasis on social inclusion. These challenges will be accompanied by the changes in recent decades to the role and tasks of the VET professional, who is no longer just a classroom teacher but also an assessor, learning manager, e-learning expert and workplace trainer who also has to 'unpack' training packages.³⁰⁸

As the VET sector moves to greater transparency and accountability, comparative information on RTO student learning and qualifications outcomes will become more widely available to stakeholders. This will lead to greater public debate and action to ameliorate learner engagement and provider performance. The quality of teaching and learning practice will be at the centre of this debate.

308 Mitchell, J et al. (2006) *Quality is the key: Critical issues in teaching, learning and assessment in vocational education and training*, NCVET

In *Australian workforce futures* we recommended an investment of \$40 million per year to develop and implement a workforce development strategy for the tertiary education sector professional workforce. We now propose that VET sector professionals be the focus of this reform. A national workforce development framework for the sector's workforce will elevate the issue as a central national priority. It should comprise support and incentives to achieve broader and deeper professional qualifications, robust professional development strategies and incentives to drive excellence in teaching and learning.

A number of other initiatives were proposed in *Australian workforce futures* that related to the sector's capacity to stimulate change in the implementation of workforce development reforms. These included a program to generate place-based, or clustered, regional and sectoral workforce development that may involve a cross-section of stakeholders to address supply chain or structural issues occurring within localities. Proposals were also outlined for enhanced research and planning capability within the sector. Funding is proposed for a Workforce Development Observatory to synthesise research and information on national and international developments in this emerging field. Funding is also proposed to further research and plan for comprehensive workforce development responses for specialised occupations at the national level. Total funding for new workforce development initiatives is approximately \$46 million per annum.

Undertaking reform

The size of the proposed expansion of the VET sector and the associated change to its function and activities require an investment in their implementation. The reforms cannot be achieved through a business-as-usual approach through absorption into the current operations of agencies. Funding will be required for dedicated expertise and project staff to drive and develop projects, methodologies and underpinning systems to put new approaches in place. These reform projects may involve national coordination or be situated within responsible agencies. An initial amount of \$5 million per annum over three years (totalling \$15 million) is recommended.

9.3 Learning and using skills on the job

There is a burgeoning requirement for skills deepening and better skills utilisation in the existing workforce to enable the application of new technologies and the implementation of productivity-enhancing innovations.

In section 3, we recommend a series of proposals for the introduction of an 'Enterprise Skills Investment Fund', to be allocated to enterprises and managed through industry advisory mechanisms, to enable a step change in the sector's focus on enterprise skill needs and workforce development. No additional funding is being sought for this initiative. The proposals have been formulated on the basis of the redesign, integration and continuation of existing funding sources in order to better target and leverage workforce development outcomes, especially in small and medium-size firms. Better coordinated utilisation of existing sources of funds is recommended.

However, the continuation of the Australian Government's funding for the Productivity Places Program (currently in forward estimates till 2012–13) is seen a necessary component for the sector's expansion and the realisation of the qualifications outcomes needed to maintain economic growth. Skills Australia considers it as a core component of an industry led 'Enterprise Skills Investment Fund'. We propose that the redesign of this funding stream as part the new fund will enable a greater focus on the 'skills deepening' of the existing workforce.



The recommendations propose the incorporation of a number of existing program streams into an integrated or 'umbrella' fund to stimulate greater synergy across enterprise-linked programs and greater coordination of Australian Government effort on improved skills use, workforce development and enterprise productivity. These include:

- the continuation of funding earmarked through the current Productivity Places Program for existing workers (50 per cent of funds) from 2012–13 and its reformulation into an enterprise determined and customised workforce development program. This is estimated at approximately \$320 million per annum. However, a phased transition to implementation of the full allocation of the program funding is envisaged as necessary to allow industry mechanisms to gear up to a changed investment model.
- the Critical Skills Investment Fund — currently focused on the resources, infrastructure and construction sector — \$50 million per year over four years
- the incorporation of other enterprise-linked programs, including, but not limited to, the expanded WELL and Enterprise Connect Programs—as recommended in *Australian workforce futures*—and the Workplace Innovation Program under the 'Enterprise Skills Investment Fund' umbrella.

A further development proposed is the folding of support programs for enterprises and apprentices under the umbrella of industry advisory arrangements recommended for the direction of the 'Enterprise Skills Investment Fund'. The current programs would continue their existing objectives; however their envelopment within the proposed fund would enable analysis and advice on more flexible utilisation, innovation and coordination for workforce development outcomes. This includes the incorporation of:

- the funding and guidelines for the application of financial incentives and benefits for employers and apprentices in order to implement better targeting of these funds to social and economic priorities and also to leverage a workforce development and skills use focus through this stream. This represents approximately \$1,000 million per annum.
- the strategy and program guidelines for a redesigned Australian Apprenticeships Centre program to better support apprentices and employers, encourage quality workplace training and skills use and to support linkages with enterprise level workforce development initiatives. This includes reconceptualising of the Australian Apprenticeships Centre program as a more integrated service that is linked with state and territory services for apprentices and employers to form a single contact point to meet apprentice and employer information, advice and on-the-job troubleshooting and pastoral care requirements. This represents approximately \$100 million per annum.

9.4 An increased and sustained public investment is needed

Investment trends in the VET sector have recently been characterised by a shift in the balance between funding sources. Total operating revenues increased in real terms by 3 per cent on average in the six years to 2008, followed by a 6 per cent increase in 2009.³⁰⁹ Revenues from the states increased by less than 1 per cent per annum in the period from 2002, while Australian government revenues increased by nearly 8 per cent per annum, after including the large increase in 2009. As of 2009, states and territories, in aggregate, no longer provide the majority of operating funding for the VET sector.

The proportion of total operating revenue from state and territory governments decreased from 56.3 per cent in 2002 to 47.4 per cent in 2009, down from a 50.5 per cent share in 2008. Australian Government expenditure increased by 23 per cent in 2009, predominantly as a result of increased Productivity Places Program National Partnership Agreement funding of \$325 million. The Australian Government contribution rose from 22.1 per cent of the total in 2002, to 28.4 per cent in 2009. The other big area of growth was in the revenue from fee-for-service (including fees in the public sector from international students) which increased from 10.9 per cent in 2002 to 15.7 per cent in 2009.³¹⁰

Government real recurrent expenditure (dollar amount per person aged 15–64 years) decreased from \$324.1 in 2005 to \$317.6 in 2009. Government real recurrent expenditure per annual hour of government-funded VET programs decreased to \$13.31 nationally in 2009 from \$15.31 in 2005.³¹¹

Over all, government real recurrent expenditure per annual hour of publicly supported training in VET declined by 14 per cent in the years 1999 to 2009. In contrast, because of a different indexation factor for Commonwealth funds and increased provision by state governments, average government school recurrent cost per student was 20 per cent higher in real terms in 2009 compared with that in 1999.³¹²

The current mechanism for indexation used by the Australian Government in the VET sector is not comparable to that used for higher education or schools and is not appropriate for the needs of a sector grappling with change and greater diversity in its operations and clientele. In VET, the Australian Government's indexation is based on an adjustment where the safety net wage adjustment in dollars is expressed as a percentage of total average weekly earnings to provide

309 Brown, J (2011) *Investment in VET: data update*, ACER, p. 6, unpublished data for Skills Australia. Operating funds do not include government funds for capital expenditures

310 Note that the funding recommended for VET places in Table 9.1 is based on data including fee for service (excluding revenue from international students) and including capital funding

311 'Government recurrent expenditure per annual hour' is defined as total government recurrent expenditure (excluding capital costs) per annual hour. Expenditure is adjusted for course mix differences across jurisdictions. Low unit costs can indicate efficient delivery of VET services. Government recurrent expenditure per annual hour needs to be interpreted carefully because low unit costs do not necessarily reflect a lessening of quality. The factors that have the greatest impact on efficiency include:

- training-related factors, such as class sizes, teaching salaries, teaching hours per full-time equivalent staff member, the profile of provision and differences in the length of training programs
- differences across jurisdictions, including socio-demographic composition, administrative scale, and dispersion and scale of service delivery
- VET policies and practices.

312 Estimates based on: Parliamentary Library (2010) *Australian government funding for schools explained*, p. 16, Table 2; Long, M (2010) *TAFE funding and the education targets*, CEET for the AEU, Table 1 and Productivity Commission (2011) *Report on government services*, Table 5A.19



a measure that increases less than almost every other price or wage measure. The methods of adjustment in annual funding used by states are less transparent, but given the substantial decline in public funding per hour of training in several states, it is apparent that real funding is not being maintained.

In higher education the Australian Government has agreed to new indexation arrangements from 2012. The current formula was criticised in the Bradley review. The current minimum wage-based premise for the salary component of the overall indexation formula is to be replaced with a measure that better reflects professional salary movements.³¹³ The Government has also commissioned a review of the base funding levels for learning and teaching in higher education to ensure that funding levels remain internationally competitive and appropriate for the sector. This review will report in 2011.

Skills Australia recommends a change to the indexation mechanisms used for the sector by the Australian Government and by the states and territories to better reflect the real cost of service delivery.

Furthermore, both industry and provider submissions have drawn attention to issues associated with the higher cost of delivery in regional and remote areas, particularly in high-cost, industry sector-specific and thin markets.³¹⁴ A specific regional loading is available in the higher education sector and, as noted above, the base funding model is under review.

States and territories make varying provision for remote and regional students in their current funding arrangements. A specific loading is provided for remote students in the National Partnership Agreement on Youth and Transitions. Skills Australia suggests that outcomes in relation to remote areas be included in the next National Agreement for Skills and Workforce Development and that all governments agree to estimate and make public the additional relative provision made for regional and remote students in their funding models.

9.5 Sharing the cost of training

Co-contributions by learners

Skills Australia believes that the beneficiaries of skills development should make a contribution to the costs of their education and training. In the VET sector, the beneficiaries of higher-level skills include the individual learner, the enterprise and the community (or government on its behalf). Currently these potential beneficiaries mostly make some contribution to the overall cost of skills development but the amounts and proportions vary across jurisdictions, providers, courses and students.

It is likely that governments faced with increasing demand on budgets will struggle to pay for the VET required over the next 20 years to support the economic activity the community expects. Government funds will need to be more targeted in what they support and if community expectations are to be met, both employers and individuals will have to contribute more particularly where the private benefit is highest.

313 Australian Government (2009) *Transforming Australia's higher education system*

314 For example, submissions from the Resource Industry Training Council, WA Regional State Training Providers Managing Directors and Forestworks

The Government contribution needs to be seen as a subsidy. This may be 100 per cent for people training to enter the workforce, but may be 10 per cent for employed people adding a diploma of project management to existing qualifications. Governments need robust systems for determining the appropriate level of subsidy, incorporating the concepts of public and private benefit.

| Confidential submission

Skills Australia supports the principle of a co-contribution to investment in training by non-government beneficiaries because it distributes the costs more fairly among stakeholders. The premise of co-contribution is that those who benefit most should contribute. The level of public subsidy for VET courses can vary inversely with the private benefit to the student (or enterprise) — highest for courses that deliver little private benefit and least where there is substantial private benefit and hence a strong incentive for students to enrol and make a higher contribution.

For individuals, in most cases the higher the level of the course the greater the degree of return and thus the greater the degree of co-funding. Hence, for individuals, Skills Australia recommends that the fullest public subsidy be focused on lower level vocational and foundation qualifications. For those studying courses at a higher level, the costs should be shared between government and the individuals as is the case in higher education. To mitigate the potential negative impact of tuition fees on participation and equity, a no-interest, income-contingent loan operated by government is the suggested model.

We have recommended a student entitlement to vocational programs up to and including Certificate III and all foundation skills programs. This has been discussed in detail in section 2 and is the basis of recommendation 1.

We recommend that cost sharing between individuals and governments should be consistently introduced for those undertaking publicly funded higher-level vocational qualifications at Certificate IV level and above. Individuals paying fees should be supported with eligibility for an Australian government-supported income-contingent loan. In introducing a more comprehensive income-contingent loan program for the VET sector, the Australian Government should negotiate with states and territories to agree the maximum fee chargeable to individuals for publicly funded diploma and above courses. Table 9.2 summarises our proposals.

Table 9.2 Summary of cost-sharing proposals*

Certificates I–III	Fully publicly subsidised places for individuals — not restricted. May be subject to government caps or incentives related to specialised occupations
All foundation courses	
Certificate IV	Student co-funding with VET-specific income-contingent loan support
Diploma	
Advanced Diploma	
Higher education courses	Commonwealth-supported places for specialist vocational degrees with HECS-HELP

* Scaled enterprise co-contribution of 10 to 50 per cent depending on size of company

Research by Chapman and others shows the relative wage advantage for people with different levels of qualifications compared with people who did not complete school. The wage benefit is greatest for those with diploma qualifications and above



Long and Shah reported similar findings on the private returns from diplomas and advanced diplomas. They found that the positive income effects are 'progressively higher for higher-level VET qualifications'. Their analysis indicates higher rates of return than those found by Chapman and others and that they provide a good financial incentive for students to enrol in higher-level courses. The rates of return to Certificate I and II courses are an exception in effects on pay, but they are still seen as valuable foundations for higher-level qualifications and there is good evidence that they increase access to jobs.³¹⁵

There is scope for some students in some courses to contribute more to the cost of their VET course through higher tuition fees, possibly in association with income contingent loans [citation omitted]. Increased tuition costs would reduce, but not remove, the economic incentive for students to enrol in higher-level VET courses. The effect of higher tuition fees on lower level VET courses is less certain.³¹⁶

In canvassing the proposal for the use of income-contingent loans for higher-level VET students during our consultations, a range of views were apparent. Some supported their introduction while, others were concerned about possible negative effects. A number of stakeholders were worried that the extension of a loan scheme might act as a disincentive to participation, particularly among students from disadvantaged backgrounds who might be unwilling to take on a debt. There was also concern that this might impact on the supply of skills and potentially exacerbate skills shortages.

Based on the experience in the higher education sector, there is considerable evidence that the introduction of income-contingent loans has not acted as a deterrent to participation by students from lower socioeconomic backgrounds. Nor has it had a negative effect on demand. A review by Andrews of factors affecting university participation by low socioeconomic groups, found that their representation in higher education had not worsened in the 10 years since the higher education contribution scheme (HECS) was introduced.³¹⁷

Chapman and others analysed the access implications of HECS and found the large changes to the scheme introduced in 1997 had no adverse effects on participation for members of any wealth group; indeed, there were large increases in higher education participation by those from all family wealth backgrounds: 'There are no strong grounds for arguing that the introduction of HECS has been a major deterrent for individuals from the low wealth group'.³¹⁸ The authors put the case for 'HECS for VET' based on significant private returns to the acquisition of higher-level VET qualifications.³¹⁹ They suggested that an income-contingent loan would be possible at Certificate III or IV levels without making students financially worse off.

However, the earnings returns from higher-level VET qualifications are not perhaps as clearcut or consistent for VET compared to higher education.³²⁰ Caution was expressed in submissions about this, because in some industries and occupations higher private returns from qualifications are not readily translated into higher paying jobs.

315 ABS (2010) Education and Work 6227.0, Table 10

316 Shah, C and Long, M (2008) *The private returns to vocational education and training*, NCVET

317 Andrews, L (1999) *Does HECS Deter? Factors affecting university participation by low SES groups*, Department of Education, Training and Youth Affairs

318 Chapman, B, Rodrigues, M and Ryan, C (2007) *HECS for TAFE: the case for extending income contingent loans to the vocational education and training sector*, Treasury Working Paper

319 Chapman et.al. *HECS for TAFE: the case for extending income contingent loans to the vocational education and training sector*

320 Ball, K (ed) (2005) *Funding and financing vocational education and training: Research readings*, NCVET

Ball suggests that this issue could be addressed through the use of varying tariff levels similar to those applied to higher education, depending on the field of study.³²¹ This issue was raised in consultations. There were suggestions that the current loan arrangements for VET Fee–Help have been ‘retrofitted’ onto a higher education model that is arguably poorly suited to the VET sector. Findings about VET Fee–Help from Victoria indicate that ‘the program is administratively burdensome for both students and providers. This is a barrier to VET students considering the loan’.³²²

Suggestions were also put forward for a VET-specific scheme that would be more broadly applicable and accessible to the characteristic participants in the sector and which might be suitable to qualification levels lower than the diploma. Work commissioned by Skills Australia suggests that there may be a case for a differential, rather than a ‘flat’, student loan arrangement for VET, based on the higher rates of return related to qualifications leading to particular occupations or fields of study.³²³ This also has the potential to address the considerable issue of social inclusion within such a scheme, given the profile of VET participants and their income contexts and futures.

Co-contributions by enterprises

There was substantial support from a cross-section of stakeholders, including industry stakeholders, for co-funding of training by enterprises. An enterprise’s capacity to pay was an important factor.

Submissions argued that small and medium-sized enterprises do not have the capacity to co-fund accredited VET programs for their employees. The submission by TAFE NSW North Coast Institute highlighted the ‘contribution they make to workplace assessment, and the support they give their employees to do some of their learning during work time, as a significant investment already’.³²⁴ The model of the Enterprise Based Productivity Places Program was seen as an effective mechanism to elicit industry support for training through a scaled contribution according to firm size.

This consideration was the basis of the approach advocated in proposals described in section 3. In relation to access to publicly subsidised training, we propose a scaled contribution from enterprises, based on firm size as an appropriate approach to industry co-financing of the Enterprise Skills Investment Fund. The range should be from 10 per cent to 50 per cent, with larger contributions being made by larger firms.

An enterprise contribution also averts the perverse outcome of government funding creating ‘dead weight’ or substituting for expenditure on training that those firms would have otherwise undertaken themselves. Besides an enterprise contribution, Skills Australia recommends that only accredited training can receive any government subsidy. Therefore in a sense the public subsidy is purchasing a benefit, a nationally recognised credential, which is ‘external’ to the enterprise. The credential, though of value to individual and the wider community, supports the achievement of governments’ broader social and economic objectives.

321 Ball, *Funding and financing vocational education and training: Research readings*, p. 130

322 Ernst & Young (2010) *Review of the Implementation of Securing Jobs for Your Future—Skills for Victoria*, Department of Innovation, Industry and Regional Development, p. 18

323 Watson, I (2011) *Education, earnings and the labour market*, unpublished, commissioned by Skills Australia

324 Business Skills Victoria submission commented that mandatory levies disadvantage small business. Other submissions (confidential) suggested that government co-funding is necessary to support small businesses



Submissions were quite divided on the issue of structured industry co-financing arrangements such as levies as a more comprehensive approach to address co-funding of training by industry. Most of the submissions in favour argued from the principle of industry needing to share a significant portion of the training cost as a long-term structural investment, such as in the construction industry. It was noted that the Western Australian Government has recently raised this option for the resources sector. Submissions commented that industry levies seem to be successful when designed and managed by industry itself and where the funds are redirected back to enterprises in that sector. The majority of the submissions against levies focused on the experience of the 1990s Training Guarantee Levy, which was thought to be a blunt instrument, cumbersome and ineffectual in achieving the outcomes required by industry.³²⁵

Researchers from Charles Sturt University and Griffith University undertook a comparative study of mechanisms for enhancing enterprise contributions to training. They concluded that ‘compulsory employer levies are rarely successful and that increasing the level of investment in training by employers is more likely to be achieved through more subtle policy mechanisms’.³²⁶

Skills Australia considers the adoption of sector-wide levies to be a matter for industry to determine and drive where there is a coalition of support and agreement to make inroads to workforce development. We recognise that this may be best combined with other initiatives related to industry restructuring, technological change or research and development, as in the case of several levies operating in primary industries. Voluntary industry levies may also depend on the introduction of government legislation to support their collection and administration.

9.6 Guarding against perverse outcomes

Change always involves some risk. We cannot be completely confident about the way in which students and enterprises will respond to a demand-led entitlement funding model and what the results might be for industry, nor about any impact on government outlays and on institutions in a more competitive environment. The sensitivity of completion rates to shifts to output-based funding of providers in a context of greater quality assurance is also unknown.

We therefore suggest that any changes, such as increases in co-contributions from students and industry or a shift to output-based funding, be phased in, monitored and evaluated for the size of response as well as for any unintended and undesirable consequences. The reforms we propose in this report are also predicated on the necessary regulatory, information and performance reporting reforms outlined in sections 5 and 6 being in place.

325 Submissions from AiG, Master Builders Association, NSW Business Chamber, Skills DMC, Minerals Council

326 Smith, A and Billett, S (2006) ‘Mechanisms for enhancing employer investment in training: a comparative perspective’, *Research in Post-compulsory Education*, vol. 11, no. 1, pp. 1–18

9.7 The role of states and territories

Not all states and territories have embraced the funding mechanism of individual entitlement—and some opposition might be expected from jurisdictions experiencing budgetary constraints or that wish to introduce their own variations and caveats. In particular, states and territories may be wary about implementing an entitlement design over which they have only limited control and which may commit them to uncapped expenditure. There is suspicion that the introduction of an individual entitlement will stimulate demand for training, leaving states and territories to carry the residual financial risk while the Commonwealth caps its own financial contribution.

However, we have argued that the currently fragmented approach to VET financing across jurisdictions contributes to inconsistencies and potential confusion among students and administrative difficulties for enterprises that operate in more than one jurisdiction.

It is likely that an individual entitlement model would lead to an expansion in the number of enrolments, and hence an increase in government expenditure. Expansion of the training system, however, is the policy of all Australian governments as expressed through the Council of Australian Governments. To meet the challenge that Skills Australia has described, where a substantial increase in skill level is desired, the increased outlay can be justified and should be the focus of the next intergovernmental resourcing agreement.

As described in section 1, the returns in the long term indicate this is an investment well worth making and perhaps a once-in-a-generation opportunity.

Recommendation 22: Investing in the growth of skills

That Australian governments agree:

- a) to support an increase in funding of 3 per cent per annum, or an average of \$310 million, accumulating, each year from 2012–13, and rising to an estimated \$12 billion in 2020 to meet:
 - the costs of the expansion of VET qualifications by 3 per cent per annum
 - the expansion of existing support programs to address this growth and
 - the introduction of new initiatives to enhance the capacity and capability of the sector, especially to meet the increased cost of delivery to a more diverse spectrum of VET learners and to improve participation, delivery and outcomes for disadvantaged learners.

This commitment is linked to agreement to:

- the co-contribution financing framework, outlined in recommendation 23, to increase the share of funding provided by enterprises and individuals
 - improved module and qualification outcomes (recommendation 17)
 - the introduction of performance incentive loadings and outcome indicators for institutions that demonstrate improvements in learners' language, literacy and numeracy outcomes and/or achievement of progress by under-represented or lower socioeconomic background students to higher-level learning and work
- b) to maintain the future value of increased funding for VET by reforming the indexation formula so that it reflects salary movements plus Consumer Price Index weightings
 - c) that in order to implement the reform agenda outlined in the recommendations for a reinvigorated VET sector, to earmark \$5 million each year, totalling \$15 million over three years, as part of the next intergovernmental resourcing agreement for the sector.



Recommendation 23: A new investment framework for vocational education and training

That Australian governments agree to individual and enterprise co-contribution arrangements as part of the reformed financing arrangements within the next intergovernmental resourcing agreement for the VET sector based on:

- a) the cost of the qualification being shared between individuals and government for publicly funded vocational qualifications at Certificate IV and above, and that income-contingent loans be made available to support the student contribution. In introducing this scheme nationally the Australian Government should negotiate with states and territories to agree the minimum and maximum fee chargeable to individuals for publicly funded Certificate IV and above courses
- b) the development and design of a VET-specific income-contingent loan related to field of study and occupational returns
- c) a scaled enterprise contribution of 10 to 50 per cent of the cost of delivery determined on the size of the firm where employers are accessing funds from the proposed 'Enterprise Skills Investment Fund' for skills and workforce development.

10 Creating a simpler system

Many people complain the Australian VET system is both complex and opaque making it unnecessarily difficult for clients to access and navigate and difficult for others, including policy makers, to understand.

In this section we explore the impact and causes of the VET system's complexity and suggest reforms that would go some way to making the system easier for clients and stakeholders to understand, access and use including:

- clarifying roles and simplifying the distribution of responsibilities between the Commonwealth and the states and territories
- streamlining governance and regulation of the apprenticeship system
- addressing the impact of the wide variation in the determination of nominal hours of training.

10.1 The impact of complexity

What's in a name?

Vocational education and training is always going to be more difficult to understand than schools or universities since much VET delivery is undertaken in workplaces and community settings and it does not have the same public prominence as other sectors. Compared with the VET sector the other two educational sectors, schools and universities, seem relatively straight forward. This is in part because they are considered to have one main client, students, unlike VET that has two main clients—industry and students. Schools are especially well understood. As the only compulsory sector, everyone has direct, firsthand experience of it. Though this is not true of universities their role is also clearer in the public mind. It helps that this sector and its individual institutions have one main descriptive term, namely 'university' and only one alternate term—'higher education'. The term 'university' is reserved in legislation, a factor that contributes to both its acceptance and prestige.

In contrast the VET sector and its institutions today use a variety of names including VET, TAFE, college, technical college, skills institute or, more recently, polytechnic. Occasionally the sector and its institutions are even described by terms used principally for similar institutions overseas such as community college, as in the United States and Canada, or further education college as is the practice the United Kingdom. Polytechnic was also once a 'foreign' term used in New Zealand and in England (where they were higher education institutions) but it has now been adopted by at least two Australian institutions.

Following the 1974 report by Myer Kangan, the term TAFE, an acronym for technical and further education, gained widespread usage. With the introduction of a competitive training market in the 1990s, 'TAFE' became restricted to the public provider. In this century, many public providers have rejected this term, presumably because they think it is 'down market', positioning them as a 'second choice' to university. So, despite TAFE being probably the sectoral term most widely understood by the public, it is now only used by the public providers in three of the eight states and territories. This has not necessarily helped public understanding and has exacerbated the fragmented and balkanised perception of the sector.

Skills Australia would encourage TAFE Directors Australia, in consultation with the 'owning' states, to review the names of institutions within the sector to see whether a more consistent nomenclature across Australia would lead to a better understanding of the role and purpose of public VET sector institutions.



The root causes of complexity

At its core, the structure of vocational education and training is quite straightforward. Industry skills councils (ISCs) specify the skills individual learners need to demonstrate to be awarded VET qualifications and registered training organisations (RTOs) deliver and assess them. However, sector complexity and confusion is caused by the convergence of a large variety of factors including:

- VET being a joint Australian and state and territory government responsibility—governance arrangements, committees and agreements add layers and can be slow to respond to emerging needs
- VET having two main clients—industry and individuals, who may sometimes have different objectives
- the diversity of VET students—flexibility in meeting student needs is to be valued but results in a plethora of program responses
- the separation of product design and product delivery, with ISCs developing product (training packages) and RTOs being responsible for teaching and learning
- VET's immense product range, from foundation skills and pre-vocational studies to advanced diplomas and degrees
- VET experiencing regular reform and change at both state and national levels
- the VET system being over-engineered in terms of guidelines and policy—trying to specify every contingency rather than concentrating on those with the largest impacts
- VET's intersections with the school and higher education sectors.

These factors are compounded by the following characteristics of the sector:

- the impact of vested interests, with many stakeholders competing for influence—this is often manifested in tensions between provider and industry representatives
- not many VET policy makers have been VET students—this means they have limited direct knowledge of work-based VET learning and their understanding of VET is shaped by their experiences of school and higher education
- the language of VET professionals and policy makers being inaccessible to the outsider—a plethora of technical terms and acronyms have emerged; while some technical language is essential in all fields there is an obligation to communicate clearly with the clients of the system.

Is the need for intermediaries a sign of system failure?

The system has become so complex that 'intermediaries' or brokers, such as Australian Apprenticeships Centres, and others at state and territory level, have become necessary to help clients understand and navigate the system. Unfortunately even brokerage arrangements are fragmented, both at the state and federal level.

'Wrap-around' services for individuals are provided through Job Services Australia brokerage arrangements. Funding for case management and intensive support is primarily provided through the Employment Services Contracts that the Commonwealth has with employment services providers.

Funding for careers advice is spread between Centrelink, employment services and the National Partnership Agreement on Youth Attainment and Transitions as well as individual state and territory initiatives. Australia currently lacks a careers advisory service that is available for individuals of all ages. Such advice is becoming essential in this era of longer working lives and multiple careers.

We consider these client services should be rationalised so that there are separate consolidated services for enterprises and individuals.

Program duplication

As discussed in section 4 there is an array of policy and funding bodies at both state and national levels who oversee and initiate a variety of often short-term and sometimes overlapping programs, each with its own name, specifications and target group. We found in consultations that the multiplicity of programs, funding accountabilities and associated administrative burden is a major source of frustration to clients of the system. This is especially the case in rural and regional Australia. Multiple and fragmented funding sources are seen as a potential waste of resources and can reduce capacity to offer coherent pathways or 'wrap-around' services for employers and individual learners. There are duplications across the states and Commonwealth and across schools and VET in programs, resources, equipment and facilities. Purchasing contracts are perceived to have multilayered and onerous accountabilities for RTOs.

A number of participants in the consultation sessions advocated better linkages between government programs:

Relationship building and ongoing training delivery is hampered by the stop – start nature of Government Funded Programs 'here today, gone tomorrow'. Learning pathways cannot be sustained with stakeholders due to the inconsistency of funding.

| *Eurobodalla Adult Education Centre submission*

Several consultation participants also expressed frustration at the number of successful pilot programs that were discontinued. The National Disability Coordination Officer Program submission highlighted that:

Historically, there have been many worthy pilot projects addressing VET equity issues with few if any being incorporated into general service provision regardless of their effectiveness.

10.2 Reforming system leadership

An ongoing and unresolved tension in any discussion of the sector's future is the issue of joint government ownership in terms of funding, strategy, policy and leadership. A number of consultations and submissions identified this as a 'burning issue' that required resolution through the Australian Government assuming responsibility for the sector.

Proposals about redistribution of responsibility are not unique to the VET sector, but are characteristic of current public debate about the best distribution of powers in our federal system. The point has been made frequently in national policy discussions such as the Australia 2020 Summit³²⁷ and in discussion papers by the Council for the Australian Federation. Research by Twomey and Withers presents the options of 'continuing the centralist draft' or 'making federalism work better'.³²⁸

327 http://www.australia2020.gov.au/docs/final_report/2020_summit_report_9_governance.pdf

328 Twomey, A and Withers, G (2007) *Australia's federal future: delivering growth and prosperity. A report for the Council for the Australian Federation*



Recently the Queensland Premier has suggested that, in the interests of a seamless national economy:

Making the Commonwealth solely responsible for VET and universities would be a major step in delivering the skilled workforce we need as a nation. Importantly, it would also significantly improve the efficiency of our university and VET providers and reduce red tape and major duplication in financial and performance accountability requirements of the state and federal governments. It will also increase the national and international portability of the skills of our workforce.³²⁹

This view resonated in part with the recommendations made in the Bradley higher education review, which proposed the assignment of a government 'funding divide' between higher-level and lower-level VET courses.

Submissions from respondents to the discussion paper argued for a rationalisation of governments' responsibilities for specific aspects of governance of the sector through better embedding the principles of cooperative federalism (Western Australian Department of Training and Workforce Development) and the need for clearer delineation of roles and responsibilities to remove duplication (ACTU submission).

In the medium term we view this as the most effective means of proceeding to implement the reforms outlined in this report, rather than undertaking overall structural change in government responsibility. The latter entails the risk of distraction from the principal agenda of a shared growth, enhanced quality and improved performance.

The thrust of our recommendation sees differentiation of government roles premised on:

- the Australian Government driving coherence of national strategy, policy, regulation and standards
- the key focus of state and territory governments residing in service delivery—streamlining for consistency; comprehensibility and ease of access; maximising of service impact; and providing seamless support for clients and users.

There was support in submissions and consultations for this approach and the need to balance the roles of governments to avoid duplication and complexity.

The Ministerial Council for Tertiary Education and Employment provides the forum for interaction on resolution of strategic issues and the ongoing alignment of functional responsibilities. Skills Australia considers that governments should take ongoing steps to focus their functions on the areas proposed in Table 10.1.

329 Hon Anna Bligh MP (2008) *What has federalism ever done for us?*, ANZSOG Public Lecture on 4 July 2008

Table 10.1 Functional responsibilities shared between Australian and state and territory governments

	Shared responsibility	Australian Government	State and territory governments
Policy, planning and strategic leadership	Shared responsibility		
Standards, quality assurance, public confidence and accountability		Australian Government	
Funding based on a national outcome agreement	Shared responsibility		
Investment (for consistency in public subsidy, and relative levels of individual and enterprise contributions)	Shared responsibility		
Income support and employer incentives		Australian Government	
Market mechanisms (for development of principles for entitlements, barriers and incentives)	Shared responsibility		
Resource allocation (including determination of market risk and mechanisms to avoid failure)			State and territory governments
Incentives or caps (in coordination with the Australian Government)			State and territory governments
Infrastructure	Shared responsibility		
Ownership of TAFE and employment of TAFE staff			State and territory governments
Operations			State and territory governments

Source: Adapted from *Creating a future direction for Australian vocational education and training*, p. 84

Recommendation 24: Realignment of governance and service functions

That Australian governments agree to clearer delineation and separation of functional roles, premised on:

- a) the Australian Government driving coherence of national strategy, policy, regulation and standards
- b) state and territory governments delivering services; reducing duplication and maximising service impact; providing seamless support for learners and enterprises; streamlining for consistency; and increasing comprehensibility and ease of access.



10.3 Streamlining the apprenticeship system

The apprenticeship system manifests many of the complications of shared and unclear responsibilities between Commonwealth and state governments. It demonstrates aspects of ‘negative spillovers’ described by Wanna and others in relation to divergent state and territory regulation.³³⁰

There were strong industry and other stakeholder views that the apprenticeship system is confusing and bureaucratic. Many noted the lack of an agreed point of ‘ownership’ of both its strategic direction and day-to-day management, with overlap between levels of government and across jurisdictions in funding, operations and systems. Consultations emphasised that consistent arrangements and regulation for the apprenticeship system should be in place across the country. For example, the Joint ISC submission stated:

Despite the best efforts of governments, there remains considerable confusion and misinformation regarding the range of incentives and special provisions for apprentices and trainees as well as confusion about jurisdictional differences on the declaration and regulation of trades and traineeships. This needs a better, consistent national focus.

The Arts Communications Finance Industries and Property Services Limited (ITAB) highlighted that: the bureaucracy around entering, changing and cancelling apprenticeship contracts must be simplified and made seamlessly consistent across all states and territories.

Standardisation of regulation

A shift to a harmonised national system of traineeship and apprenticeship legislation based on a single legislative instrument is recommended. Currently apprenticeships and traineeships are regulated separately across eight jurisdictions, each with their own specific legislations.

Employers have commented on the complex process of taking on and maintaining an apprentice. This is not new news—we have been providing the same feedback since AQF qualifications became available to the drilling industry. If companies work across states, as they frequently do in drilling, it remains a nightmare for companies and RTOs alike. Reporting requirements for RTOs vary from state to state; work arrangements...this is the reason our industry has so few trainees.

| *Australian Drilling Industry Training Council submission*

The current system where each jurisdiction has a different apprenticeship and traineeship administrative structure is not sustainable. Moreover the current legislation and guidelines overlayed by the Commonwealth’s funding regime need changing as part of reform of this structure ... should be addressed through the Council of Australian Governments (COAG). The outcome should be one set of national guidelines which each state adopts as part of any future structure.

| *Motor Trade Association of South Australia and MTA Group Training Scheme SA Inc submissions*

Remove state-based VTOs/time periods

| *Community Services and Health Industry Skills Council submission*

Establish a National Trades Commission (or similar) ...remove state and territory declarations

| *Manufacturing Skills Australia submission*

330 Wanna, J et.al. (2009) *Common cause*, Council for the Australian Federation

There is a strong trend in government regulation to national coherence and consistency in order to minimise red tape and compliance for business and as part of micro-economic reform of certain industries. COAG has undertaken a number of regulatory initiatives in areas including industrial relations with the introduction of the modern award system; uniform occupational health and safety laws; introduction of a national trade licensing system; health care workforce accreditation; and national VET and higher education regulation.

Governance and strategic direction

The apprenticeship system is in need of coordinated and strategic leadership at this critical phase of reinvigoration. We concur with the expert panel that independent expert advice is important to lead the transition to a new system.

We see the need for a National Custodian that is able to apply a whole-of-system perspective to Australian Apprenticeships. The National Custodian can work collaboratively with all other government entities and with employers and unions to improve the performance of the system. This entity would be accountable for the policy that underpins the Australian Apprenticeships system, including both the education and employment functions.³³¹

Their report speaks of resolving the 'differing legislation and regulatory requirements in each state and territory ... into a common national arrangement'.

We see this as entailing, as recommended above, harmonised national legislation for the regulation of apprenticeships. Once introduced, a statutory body may be considered an appropriate mechanism for ongoing oversight. An alternative to this may be to use existing national statutory structures by widening their remit. Alternatively, in drafting new national legislation for a nationally co-ordinated apprenticeship system, it may be possible that a statutory body need not be involved and that regulatory functions could be undertaken by administrative arrangements through an Australian Government agency.

In the meantime an independent industry and/or expert voice is essential to maintain a driving influence for change during the transition and development period.

Recommendation 25: Streamlining apprenticeship and traineeship policy and regulation

That Australian governments agree to:

- a) regulation of apprenticeships and traineeships at the national level in line with the move to streamline and introduce national consistency in other regulatory and industrial functions
- b) the establishment of a high-level apprenticeship advisory body to provide independent leadership and expertise to guide the transition to implementation of national regulation of the apprenticeship system recommended above. The longer-term arrangements for the strategic leadership of the apprenticeship system should be integrated within the functions of existing national advisory or regulatory bodies.

331 Australian Government (2011) *A shared responsibility—apprenticeships for the 21st century*, Expert Panel report, p. 41



10.4 The vexed issue of ‘nominal hours’

The issue of ‘nominal hours’ is another example of the inaccessible VET lexicon. In essence it refers to the hours of supervised learning or training needed to cover the educational material in a training program when undertaken in standard classroom delivery mode. A full definition is provided on the National Training Information Service website.³³²

There has been an established agreement in the national training system on the separation of training package development and endorsement processes and the assignment of the number of nominal hours for delivery of qualifications. Currently states and territories assign nominal hours but they have varying practices for determining nominal hours for qualifications and their funding—this is a cause of concern for industry, especially for companies operating across borders, and results in a high level of variability in hours of delivery between jurisdictions. It can also cause delay in the time from when a training package is endorsed and when it is available for delivery because of the time taken to determine nominal hours. Busy Inc. Employment and Training Services states in its submission that:

Larger Employers require a nationally recognised system that crosses State and Territory boundaries. Significant variations exist between States/Territories in terms of Qualifications offered, nominal terms and commencement processes. Employers wish to engage with a system that is simple and consistent.

Furthermore, the Victorian TAFE Association also highlights frustrations with nominal hours in its submission to the discussion paper:

RTOs frustrations are exacerbated by different funding models for apprenticeship/traineeship across jurisdictions. Victorian TAFE providers report that the course duration/nominal hours for the same course can vary across jurisdictions. States/territories also determine approved courses for apprenticeships/traineeships. For example, a review of various states’ implementation for UEE30807 Certificate III in Electrotechnology—Electrician show:

- Western Australia – 904 hours
- Victoria – 1060 hours
- South Australia – 1060 hours
- Queensland – 1050 hours

There is a de facto national approach to determination of nominal hours already in place, in that a number of states use the Victorian nominal hours advice, outlined in that state’s purchasing guidelines, as the basis of their decisions. The Victorian approach is respected as being done well, but the delays in the preparation of the hours by Victoria is a source of frustration.

Varying processes in states and territories relating to the determination of nominal hours delay the speed to market of publicly funded qualifications. There is also inconsistency in the number of nominal hours for apprenticeship and traineeship qualifications that are ‘declared’ in vocational training orders in the case of New South Wales, or regulated according to the respective state and territory legislations across the country. This makes the processes relating to the apprenticeship system especially onerous.

332 National Training Information Service Glossary, www.ntis.gov.au

Objections might be expected from states and territories that nominal hours are a delivery issue and best left to them to decide. On the other hand, industry has a legitimate expectation that delivery of a qualification has integrity and is in the best position to advise on this. Funding decisions can still be left to jurisdictions and they may have purchasing hours that differ from nominal hours.

Recommendation 26: Enhancing national consistency

That Australian governments agree that industry skills councils, as part of the training package development and endorsement process, advise on the nominal hours of training required for qualification delivery in the interests of national consistency and qualification integrity.



Appendix A: The consultation process

Discussion paper

On 21 October 2010, Skills Australia released a discussion paper, *Creating a future direction for Australian vocational education and training*, to facilitate a conversation about the challenges facing the VET sector in the coming years. A copy of the discussion paper is available at www.skillsaustralia.gov.au.

After the paper was released, Skills Australia consulted with a diverse range of stakeholders including:

- employers
- students
- public and private providers from the VET, higher education, and adult and community education sectors
- Australian Apprenticeships Centres
- group training organisations
- professional associations
- industry skills councils
- governments
- welfare advocacy bodies
- trade union officials
- researchers and consultants.

Consultations took place through focus meetings, public consultations and written submissions.

Focus meetings

Between November 2010 and February 2011, Skills Australia held 27 focus meetings with key stakeholders, including government training departments and peak provider bodies, as well as industry and employer groups.

Public consultations

Members of the Skills Australia Board, along with the Chief Executive Officer, hosted public consultations in each state and territory, including in several regional locations, during November 2010. In all, 16 public consultations were held, with 452 attendees, as follows:

1 November	Sydney	Adelaide
2 November	Port Augusta	
3 November	Tamworth	
4 November	Canberra	
5 November	Mount Druitt	
8 November	Brisbane	
9 November	Perth	Rockhampton
10 November	Alice Springs	
11 November	Darwin	
12 November	Melbourne	
15 November	Karratha	Albury
16 November	Melbourne—Holmesglen	
17 November	Hobart	

These consultations provided valuable input to the Board's thinking, and demonstrated the importance of VET in a wide variety of contexts across Australia.

Student consultations

In order to gain a greater understanding of the perspective of VET students, Skills Australia conducted consultations with students of VET providers in Victoria during February 2011. These sessions provided a valuable insight into the complexities of VET and career decisionmaking from the student perspective.

Submissions

Of the 142 written submissions received in response to the discussion paper, 98 non-confidential submissions are available to download at www.skillsaustralia.gov.au/VETdiscussionpaper.shtml.



Abbreviations and acronyms

ABS	Australian Bureau of Statistics
ACARA	Australian Curriculum Assessment and Reporting Authority
ACE	adult and community education
ACER	Australian Council for Educational Research
ACPET	Australian Council for Private Education and Training
AFLF	Australian Flexible Learning Framework
AHELO	Assessment of Higher Education Learning Outcomes
AIG	Australian Industry Group
AQF	Australian Qualifications Framework
AQTF	Australian Quality Training Framework
ASQA	Australian Skills Quality Authority
AVETMISS	Australian Vocational Education and Training Management Information Statistical Standard
AUSSE	Australasian Survey of Student Engagement
COAG	Council of Australian Governments
CPSISC	Construction & Property Services Industry Skills Council
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
DEEWR	Department of Education, Employment and Workplace Relations
EBPPP	Enterprise Based Productivity Places Program
IBSA	Innovation & Business Skills Australia
ISC	Industry Skills Council
LLN	language, literacy and numeracy
MCTEE	Ministerial Council for Tertiary Education and Employment
NCVER	National Centre for Vocational Education Research
NESA	National Employment Services Association
NTIS	National Training Information Service
NVEAC	National VET Equity Advisory Council
NQC	National Quality Council
OECD	Organisation for Economic Co-operation and Development
PPP	Productivity Places Program
RDA	Regional Development Australia

RTO	registered training organisation
SES	socioeconomic status
SMEs	small to medium enterprises
TAE	Training and Education Package
TAFE	technical and further education
TEQSA	Tertiary Education Qualifications and Standards Agency
USI	unique student identifier
VEN	Vocational Education Broadband Network
VET	vocational education and training
VETiS	VET in Schools
WELL	Workplace English Language and Literacy (Program)





Skills
Australia