Creating a future direction for Australian vocational education and training

Skills Australia
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A discussion paper on the future of the VET system

Foreword

Australia needs people to have more skills and to use them productively in the workplace. We also need higher rates of workforce participation. To help achieve these goals we need to increase demand from employers to take on and use these skills. This comes hand in hand with improving the depth, range and responsiveness of services the VET system provides. However, the uptake of training will not happen unless students, employers and the community have confidence in the quality and appropriateness of VET services and providers.

We can be rightly proud of our Australian VET system and its achievements to date. However to move it up to the next level of performance and to meet new demands requires a shift of gear and a thoughtful, evidence-based approach of how to get there. An open, accountable and properly funded system that offers high levels of support to all students and trainees is an essential foundation for the future. This system has to be transparent in its outcomes—demonstrating to the public the high personal, social and economic value of a VET qualification.

This paper outlines a number of issues for discussion that can help set the direction Australian vocational education and training might take to achieve these objectives. Many of the issues will be familiar to those working in and with the sector. Skills Australia is keen to tap into this knowledge and experience to come up with workable solutions. We want to hear from people who use or have used the VET system—what are the directions the VET sector can take so it better meets your requirements?

You can participate in this debate in two ways. Public meetings will be held in every state and territory beginning in October 2010. The schedule of dates and locations can be found on the Skills Australia website at www.skillsaustralia.gov.au. We also welcome submissions on the issues and questions raised in this discussion paper. Section 3 gives details on how you can make a submission.

We look forward to and encourage your input. We are confident that this consultation process will assist in forging a revitalised vision for vocational education and training that we can recommend to governments as the foundation for a new intergovernmental agreement for the future of the sector.

Philip Bullock

Chairman

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Key points

- To meet the labour market and fiscal challenges of an ageing population and burgeoning international competitiveness, Australia is going to require more people with significantly improved foundation and higher level skills. Those skills also need to be applied in the workplace to improve Australia's lagging productivity and innovation levels.
- COAG has set qualifications targets for 2020 to meet this challenge. Skills Australia has also detailed the need to increase tertiary sector enrolments by at least 3 per cent a year over the next 15 years.
- Reforms of the last 15 years have created strong foundations for the VET sector. However, the scale of the above challenges warrants a fresh look at the VET sector's capacity to respond to the increased requirements for qualifications and facilitating the better application of skills.
- Aspects of the sector's performance over the last several years have been variable. Enrolment growth has been slight—at less than an average 1 per cent a year in the last five years. Apprenticeship completion rates are not satisfactory. Public confidence in the quality of provision has been shaken by improper activities in delivery of programs to international students. Overall the proportion of total VET funding from states and territories has been declining—down by about 6 per cent in the eight years to 2008.
- To ensure the VET sector delivers the right skills and avoids skill shortages there needs to be co-ordinated action on skill strategies for specialised occupations. Such actions are beyond the scope of VET institutions and involve enterprises, industry and government partners.
- To meet the challenges of increased output and improved skill utilisation, the VET sector will need to significantly improve its performance and boost outcomes. It also needs increased levels of investment. However the sources of this investment cannot come from government alone. The relative responsibilities of governments, individuals and industry must be clear.
- There are a number of strategic questions for the sector's future and how it may need to be redesigned. A core issue is the extent to which the sector provides individuals with the broad based skills and knowledge for changing labour market demands and emerging occupations and industries. This raises questions about whether new models of courses, qualifications and even institutions are needed.
- We must also consider whether, in delivering services, the needs of both individuals and employers are the central focus of the system. For instance, comparatively little delivery is carried on in workplaces. Apart from the flexibility that this provides workers and employers, it also begs the question of how in touch VET practitioners are with the 'real world' of work.
- The sector's role in workforce development and innovation has been not been clearly articulated. If it is to become a core function then a critical issue is how it might be funded and how the respective roles of government and industry are delineated. If there is to be a public funding incentive for workforce development, then its design, and the outcomes and performance indicators for it, need to be established.
- To achieve workforce participation rates comparable to other OECD countries, VET needs to provide flexible support services, and possibly improved financial support, for many individuals who have been previously disengaged, or who experience multiple disadvantage. This may entail 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.
- The apprenticeship system requires revitalisation to make it an attractive and esteemed training and career option. Its renovation will entail overcoming complexity, cumbersome

administration and improving retention of learners in the early years and into new careers. Concerted national leadership must be a feature of its renovation.

- Regulation of VET needs to be toughened and the bar raised on provider service quality. Industry has proposed a new approach to the assessment of training outcomes. The public also requires more independent information to assist their choice of a quality provider. Outcomes from VET are broad, but at present we have no way of taking into account the social benefits delivered to communities, or the productivity advantage to employers.
- Lifting the quality of VET outcomes goes beyond issues of compliance to the skills of VET practitioners. Consideration is needed of the essential requirements for professional practice, as well as the type of mechanisms that will better support ongoing professional development, leadership and excellence.
- Funding levels in VET have been supported recently by increased fee-for-service revenue and growth from international education, which may not be a sustainable source for the future. Thinking about future funding means weighing up the case for individuals and employers to increase their contribution and the allocative mechanisms that government can use for public subsidy.
- The balance in market-based mechanisms between an industry-responsive system and 'individual-responsive' funding is a tension that needs to be addressed as governments adopt more student–driven approaches to investment. Safeguards against market failure and ensuring employers needs for specialist skills are met are necessary refinements in VET market developments.
- Boundaries and accountabilities in VET are blurred in many respects—in relation to other sectors, and also in relation to intergovernmental roles. However, the development of the next intergovernmental National Agreement for Skills and Workforce Development presents an opportunity to emerge from complexity, set out a roadmap for VET and put reforms in train. Proposals are outlined to enable debate on the way forward.

Focus questions

- What has to change to achieve a more skilled and productive Australian workforce and to make Australia a leading international economy by 2020?
- How much change and development in the VET sector is needed? What can we live with? What are the burning issues in VET that need urgent attention so outcomes in participation and productivity can be realised?
- How can VET make a real difference for learners- addressing their backgrounds, ambitions and ensuring they can succeed in the changing world of work? In particular, how can outcomes for disadvantaged students be significantly improved? Should we be worried about low completion rates for qualifications?
- What should VET qualifications, practitioners and institutions be like in 2020? How do we get there?
- Is the quality bar in VET set too low? How can a training market with over 4,800 providers be effectively regulated?
- Is the blurred role of VET providers and other sectors a problem? Do we need to more clearly delineate who does what in tertiary education?
- Reforms in VET are not just up to governments- who are the drivers and what is their role? Is change affordable and who should pay?

1 The challenge: building capability for our future prosperity

Australia is facing a stark reality. Our long-term economic and social prosperity depends on the depth of skills in the population, and the better use of those skills, to overcome the risks of a fiscally unsustainable ageing population. Rapid changes in the global economy mean accelerating competition, especially from low-wage economies. The Organisation for Economic Co-operation and Development stresses that member countries will need to compete from a base of high-quality, innovative goods and services.[1]

The Council of Australian Governments has recognised this as a critical issue and has agreed to targets to reduce gaps in foundations levels skills and to substantially deepen our skills base. This includes increasing the proportion of people with qualifications at Certificate III level or higher and doubling the number of higher qualification completions by 2020. The Council has also targeted outcomes on the effective use of skills to increase labour market efficiency, productivity, innovation and to ensure increased utilisation of human capital.

The metrics of these challenges are outlined in Skills Australia's recent strategy paper, *Australian workforce futures*.[2] The paper estimated that tertiary education enrolments—which include both higher education and vocational education and training—need to increase by at least 3 per cent a year over the next 15 years and workforce participation needs to rise from 65 per cent to 69 per cent. Such an expansion of the system will lift the qualification profile of the workforce and boost foundations skills such as literacy and numeracy. It will also lead to higher employment rates among less advantaged groups, which is crucial to improving the rate of labour force participation. The contribution from higher education to achieving these targets has been outlined in the Australian Government's response to the Bradley review of higher education, which boosts targets and funding for that sector.[3] But the future role, growth and development of the vocational education and training sector are less clear.

The heightening pressures of changing demography, the drive for productivity and global competitiveness put the spotlight on the solutions that our VET system can offer. Added to this are the challenges of climate change, biodiversity loss and food security. Skills Australia has argued for the urgency of a new national approach to skills that deepens capabilities, expands workforce participation and increases productivity.

The Australian VET system has had substantial achievements over the last 15 years and is well respected internationally. The sector has strong connections to industry and a high level of engagement by employers. There is a far wider choice of providers than in the past and a coherent and well regarded framework of national qualifications is available to learners and industry. The public TAFE system is widespread, serving a high proportion of rural and remote learners across Australia. The information and research base to analyse the system's performance is well developed. The VET regulatory system and training packages have undertaken several waves of reform throughout the last decade and a strengthened national regulatory model is to be legislated to embed a more consistent approach.

The backbone of the sector is strong. However the further development of the system is at a pivotal point if it is to effectively address the challenges described above. A new vision for the sector's development and a roadmap for reform are needed so it becomes an equal partner with higher education and schooling in realising Australia's potential and securing a prosperous future.

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[1] OECD (2009) *Learning for jobs: the OECD policy review of vocational education and training*, initial report, p. 20
[2] Skills Australia (2010) *Australian workforce futures: a national workforce development strategy*
[3] Australian Government (2009) *Transforming Australia's higher education system*

The challenge of raising Australia's educational attainment and increasing productivity and workforce participation levels are well understood by governments across Australia. However, achieving consensus on the direction of the VET sector in delivering the solutions that can make a difference has been the focus of debate for the best part of a decade. Skills Australia contends that the nation risks missing out on the full benefits of future global economic growth and the dividends from our investment in education unless the VET sector is given a reinvigorated mandate in deepening our skills base and improving workplace productivity.

Several major barriers to achieving this goal need to be addressed:

- ensuring adequate funding to enable growth and development of the sector
- better harnessing the sector's unique characteristics—the close connections between learning, employment, the labour market and the economy—so workplaces develop and use skills more productively
- improving the quality of services delivered and indeed, having the means to measure the full range of benefits the sector generates for individuals and enterprises
- overcoming constraints on the system's governance—by strengthening coherence and linkages, and stimulating cooperation and flexibility in service delivery
- developing the capability of VET professionals so they are in the forefront in designing and delivering diverse responses in a rapidly shifting education and training market
- ensuring VET qualifications remain responsive to individual and market needs by improving their design and
- reviewing funding mechanisms and the effectiveness of incentives and other support provided.

Seizing the opportunity to grow and prosper

For Australian vocational education and training the next 15 years promise great opportunity. Economic growth, ongoing skills needs and an aspirational society provide a fertile environment for the VET system to grow and prosper.

Over this period Australia is going to need more people with significantly higher levels of skills. Among them will be the technicians, managers and tradespeople that the VET sector has traditionally developed. But we will also need workers in new occupations related to the environment, sustainability and emerging technologies. In addition, the VET sector can help more people acquire the core foundation skills that enable them to enter and retain meaningful employment.

Increased workforce participation and higher skill levels will have a positive impact on our regions and their contribution to our economy. They will help achieve the levels of social inclusion that Australians aspire to as a fair, just and prosperous society. The VET sector not only needs to expand activity in its traditional areas. It needs to ensure it is flexible and responsive enough to meet the changing needs of our society—in rural, remote and regional Australia, as well as in city centres and outskirts.

Many Australians now experience periods of paid employment and non-employment. They also periodically mix full-time family caring responsibilities and full-time study over their active lifetimes.[4] The sector needs to reach all of these people. It also needs to adopt a wider remit of working with industry to achieve greater utilisation of skills in the workplace. Skills Australia, among others, has argued that the development of skills is only one part of the equation. For individuals, industry and government to get the best return on their investment, those skills need to be used efficiently and effectively.

[4] Buchanan, J, Yu, S, Marginson, S and Wheelahan, L (2009) *Education, work and economic renewal*, issues paper prepared for the Australian Education Union, Workplace Research Centre

The path to be taken?

The path the VET sector might take in helping to achieve these overall objectives is less certain.

The significant reforms of the 1990s established a national, industry-led and competency-based VET system that retained a commitment to access and equity for the disadvantaged. At the same time, several thousand private, enterprise-based and not-for-profit providers were able to enter the market for VET services. In doing this they both challenged and complemented the established public provider, TAFE. In response, state-run TAFE systems consolidated several hundred TAFE colleges across Australia into the now 58 large multi-campus institutes. These reforms were highly successful and created a system that the OECD, in its review of vocational education and training in Australia, characterised as well developed and enjoying a high degree of confidence.[5]

However, there are now worrying trends across the VET sector as outlined below that suggest a new wave of renewal and reform is necessary. How this might happen is a focus of this discussion paper as the nature, extent and speed of the changes required in VET over the next decade is contested territory. Top-down reforms that impose a particular model of institutional structures across Australia have lost traction recently. One reason for this is that they are seen to be incompatible with serving very diverse local and regional needs. Change this time around might perhaps be driven by some radically new policy settings, rather than structural rearrangements.

Lifting performance—the pace and nature of reform?

Over the past few years growth in VET has been patchy. Publicly funded enrolments have increased on average by less than 1 per cent a year in the last five years[6]. There are claims that the number of privately funded students in the private sector has grown considerably but we do not have verifiable data to support this, beyond the figures for international students. International students with private providers increased from 62,000 in 2006 to 192,000 in 2009.

Apprenticeship completion rates are not satisfactory. As noted by Minister Jason Clare in his speech at the launch of *Australian workforce futures,* a completion rate of 50 per cent is

> an enormous lost opportunity…It costs business money, costs the apprentices' time and costs us skills we desperately need.[7]

Public confidence in the quality of provision has been shaken domestically and internationally by improper activities in delivery of programs to international students. The sector's funding base has remained largely static, with the most significant increases being from 'fee-for-service' activities. The contribution to VET expenditure by state and territory governments, the principal owners and funders of the VET system, has reduced from nearly 57 per cent in 2001 to just over 50 per cent of the total in 2008.[8] In some jurisdictions the public funds per hour of delivery time have dropped by up to 17 per cent.[9] This might be applauded as representing increased efficiency, but it might also be making it more difficult for providers to maintain, for example, essential student support services.

A harsh interpretation of the current state of VET is that it is a system that is at best coasting. Both clients and funding are reasonably static, while the existing institution-based part of its provision is under threat from an expanding higher education system. Many would vigorously dispute such

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[5] Hoeckel, K, Field, S, Justesen, TR and Kim, M (2008) *Learning for jobs: OECD reviews of vocational education and training—Australia*, OECD
[6] NCVER (2010) *Students and courses 2009*
[7] The Hon Jason Clare Media release, March 2010
http://www.deewr.gov.au/Ministers/Clare/Media/Speeches/Pages/Article_100308_161821.aspx
[8] Noonan, P, Brown, J, Long, M, McKenzie, P and Chapman, B (2010) *Investment in VET*, unpublished paper for Skills Australia
[9] ibid.

an interpretation and point to examples of excellence in program delivery, engagement with industry and innovation across a wide array of providers. But are excellence, responsiveness and innovation core characteristics of the system as a whole, and is the system publicly and objectively demonstrating these characteristics to those who matter most—students, employers and government?

So a critical issue for this debate is whether the VET system needs incremental change or something more radical. The answer to this question will be influenced by both demand side and supply side factors.

On the demand side, a core question is how much the client group will change. We know that VET will need to attract many more mature workers so that they can gain new skills to remain productive longer. Without this, industry will experience skills shortages and the country may have difficulty affording its social security system. This could change the mix and motivations of VET students.

On the supply side, new technology may have an even more pervasive influence on provision than it has had to date. New digital multimedia tools, collaborative technologies and social networking forums are dissolving the boundaries between informal and institution-based learning and driving demands for flexible services from both learners and practitioners.

Changes in market mechanisms and the way the sector is funded might lead to the evolution of some very different provider configurations across regions. We might have far less homogeneous VET providers as part of a more variegated tertiary system. Changes might thus include more dual-sector institutions, especially if students demand better pathways between VET and higher education. Alternatively, VET and higher education might differentiate further, with VET concentrating on the delivery of foundation, trade and workplace training up to Certificate IV. More advanced study may be the province of universities or a new type of 'polytechnic'.[10] Alternatively, VET providers may increase their entry into the degree area. In a variegated world various models might operate side by side.

An entitlement model of funding in vocational education and training that puts purchasing power in the hands of the individual student might put pressure on the conceptualisation of VET as an industry-led system grounded in work-based learning. Might we see the 'separation' of VET into pathways for pre-employment students following an institutional pathway and another model for apprentices or existing workers undertaking work-based learning? Could this even mean a challenge to the hegemony of training packages in some segments of the VET market?

Reform of VET in the past 20 years has often concentrated on supply-side issues such as the restructuring of providers and credentials. Though this discussion paper gives some prominence to issues such as the reform of quality systems, it also asks whether workplace issues including employer demand for, and use of skills, now need more attention if we are going to achieve inroads into increased productivity and levels of innovation.

Delivering the right skills

A core objective of the VET system is to ensure we have the skills required for current and future jobs. In modelling the type and quantity of skills needed for the jobs of the future, Skills Australia has reported a continuation of the trend toward skill deepening and growth prospects for higher level skills in a range of industry areas. However, the idea of specifically matching education and training qualifications to the labour market is unrealistic because the dynamics of skill requirements within occupations are subject to many forces outside the ambit of skills planning. For most jobs, there is generally a reasonable fit between occupations and qualifications delivered by education providers. However there is a significant number of occupations that cannot be left to market mechanisms alone to resolve and these require a more sophisticated planning intervention.

[10] Mitchell, J (2010) 'Polytechnic positioning', *Campus Review*, 19 July

The effectiveness of the VET system in delivering the skills required in the labour market will rely on having co-ordinated systems to identify those specialised occupations where there might be negative consequences for the economy or communities if certain skills are not available. Skills Australia has developed criteria and a methodology to identify and plan for such occupations.[11] An issue for the sector is what type of actions are needed, and by whom, to initiate concerted skill strategies for these specialised occupations so skill shortages or oversupply can be avoided.

Achieving greater utilisation of skills

There is significant evidence that many people's existing and recently acquired skills are underutilised.[12] This is a waste for all those who have invested in skills development—individuals, enterprises and government. Greater utilisation of skills is not simply about more workplace training.

Better skills utilisation is created by better job design, by better management and by better matching of skills to business strategy or organisational development. Australian and overseas experience shows that a 'bundling' of approaches—not just training—can be mutually reinforcing in contributing to better skill use. This includes team working, information sharing, consultation and meaningful involvement, performance appraisal, employee financial involvement and work–life balance arrangements.[13] In the United Kingdom, where the UK Commission for Employment and Skills has a major ongoing project on skills utilisation, it is often addressed through the concept of the 'high-performing workplace'.[14]

The evidence in Australia indicates that many enterprises do not have a great deal of internal capability and capacity in these areas.[15] As one might expect, hard-pressed small and medium enterprises often miss out on opportunities to improve efficiency and to innovate. Most of the expertise in Australia in this area lies outside of individual firms, either in commercial consultancies or specialist government services.

Promoting better skills utilisation also represents an opportunity for both industry and training sector stakeholders in the VET system. Industry Skills Councils see they have a pivotal role in an industry-led agenda on workforce development. But the involvement of VET providers in workforce development and enterprise innovation is not transparent as a mainstream function of the sector. Mechanisms to fund it and measures of outcomes are undefined. This paper seeks comment on the need for a new 'mandate' for VET which allows providers greater resource flexibility in delivering outcomes aligned to enterprises' business strategies. This would mean a broadening away from training outputs defined only in qualifications or modules.

Strategies could include partnership work with operations like Enterprise Connect[16], groups of employers, industry sector bodies or community organisations. It might also mean building on providers' existing links with employers to create a new service. VET providers often have excellent community and industry engagement strategies, but an extension of VET services in workforce development may require bringing in new staff or training existing staff in business improvement and job and organisational design techniques. In the medium to longer term, these services would form part of an extension to the provider's fee-for-service offerings.

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[11] Skills Australia, *Australian workforce futures*
[12] Watson, I (2008) *Skills in use: labour market and workplace trends in skills usage in Australia*, NSW Department of Education and Training
[13] National Centre for Partnership and Performance (2005) *Working to our advantage: a national workplace strategy,* Ireland; Windsor, K and Alcorso, C (2008) *Skills in context: a guide to the skill ecosystems approach to workforce development*, NSW Department of Education and Training
[14] Giles, L and Belt, V (2009) *High performance working: a synthesis of key literature*, UK Commission for Employment and Skills
[15] Society for Knowledge Economics (2009) Workplaces of the Future Forum, Melbourne, Treasury Place, 27 July
[16] More information on Enterprise Connect is available at http://www.enterpriseconnect.gov.au

Improving the VET experience

One of the core characteristics of VET is its diversity. This diversity extends to its students, its programs and courses, its providers and its delivery techniques. For example, VET has many more students from lower socioeconomic backgrounds and many more part-time students than higher education. Much more VET training is delivered in the workplace compared to higher education.

This diversity, however, sometimes obscures VET's core role and functions. VET sector qualifications predominate in trade, administration and clerical, paraprofessional and supervisory management occupations.[17] Besides the trades, which are almost exclusively VET, it shares the other occupations to some extent with universities. However, universities dominate in the professions. In addition to providing education and training for these administrative and intermediate occupations, VET's other core function is providing foundation and basic skills programs in areas like language, literacy and numeracy that are essential prerequisites for obtaining and retaining employment.

Though most courses in VET are competency-based and related to specific occupations and industries, many take place in VET institutions as opposed to workplaces. Many VET students do not end up working in the occupation their course was related to.[18] Rather, they may use their qualifications more generically to find employment in different occupations or to gain entry to a higher level course. Some critics argue that this, along with a more holistic or a 'looser' conceptualisation of skill derived from the needs of the modern workplace, is a reason for making VET courses less closely aligned to 'units' of occupational competency.[19]

A proposition for discussion is whether vocational education and training should comprise a more contemporary concept of a vocation—one more related to general further education that prepares the learner with capabilities for a long-term career. This may not mean moving away from a system based on competency, but rather taking a fresh look at the current segmentation of learning units and questioning whether this is an adequate framework for the future.

Many industry stakeholders would argue that workplace delivery of VET is superior to institutional delivery. The apprenticeship training system straddles both forms of delivery and has been unchanged for a long time. But unsatisfactory retention of apprentices raises questions about the viability of the apprenticeship model as an attractive and rewarding option for young people, and indeed for employers, in a globally competitive business environment. A reformed and revitalised apprenticeship system could be seen as a key contributor to meeting future demand for skills and providing a sustainable career pathway.[20] If workplace delivery and apprenticeships are to be expanded, will employers make sufficient workplace training positions, infrastructure and facilities available to meet Australia's future skills needs?

Providing better support for learners

A critical issue is how VET can reach people who have been only marginally or intermittently connected to the world of work and formal education. If these people are not engaged and provided with the core foundation skills such as language, literacy and numeracy, it is difficult to see how a workforce participation target of 69 per cent by 2025 might be reached.

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[17] ABS (2009) *Education and work, Australia, May 2009*, cat. no. 6227.0, table 11, p. 19

[18] Karmel, T, Mlotkowski, P and Awodeyi, T (2008) *Is VET vocational? The relevance of training to the occupations of vocational education and training graduates*, NCVER

[19] Wheelahan, L (2010) 'Can learning outcomes be divorced from processes of learning? Or why training packages make very bad curriculum', AVETRA Conference, 8–9 April 2010; Buchanan et al., *Education, work and economic renewal*

[20] Australian Apprenticeship Taskforce report recommendations adopted by Council of Australian Governments. See Appendix

Given the high overall proportions of VET students who come from lower socioeconomic backgrounds or have some other disadvantage, it is a theme of this discussion paper that VET providers need to do far more than just teach and assess. Student support strategies such as mentoring and 'individual learning plans' may need to become the norm for many learners in VET, especially workplace trainees, disadvantaged students and those in VET in Schools programs. It would also require providers to have closer connections to local and regional employment and support programs run by agencies such as Jobs Services Australia. Ensuring VET's reach into Australia's rural and remote areas will also be essential to make sure no-one is left behind. Much of this could be achieved through expanded use of e-learning and ICT tools.

The same system of student income support provided to school and university students, including Youth Allowance, Austudy and ABSTUDY, is available to VET students. A range of additional personal benefits are provided to apprentices and trainees. However, these avenues of financial support may not be sufficient to increase the number of less advantaged students in the VET system that is required over the next 15 years.

Demonstrating quality and promoting excellence

Recent media reports about very poor quality VET providers operating in the onshore international education market have led some people to question the overall quality of VET provision and the way in which VET providers are regulated. There are undoubtedly many high-quality providers in the system, as well as some who fall short of acceptable standards. However, there is currently little independent, objective information publicly available about individual providers. This makes it difficult for a potential student or an employer to make a judgment about the quality of a provider. The Australian Government and most jurisdictions have agreed to tighten the regulation and registration of providers with the formation of a national regulator. The 2010–11 Budget measures also included the announcement of a 'MySkills' website that would make more information about providers more readily available to the public.[21]

A theme for discussion is whether the recently announced measures are sufficient to ensure quality, transparency and accountability in the VET system. Absent from much of the discussion in the VET sector is the question of excellence. Generally we can confirm through student and employer surveys that users of the system are 'satisfied'. There is a long stretch between this and having a system which is considered excellent. Would Australia tolerate a 'satisfactory' health or school system? We strive for world leadership in many domains—yet the VET system tends not to be held up to such benchmarks. The Australian Quality Training Framework excellence criteria have been developed and their use by RTOs is optional. Since their design and trialling in 2008 there appears to be little evidence of their use.[22]

A further question relates to consistency of assessment. Should we, for example, institute a system for the external moderation and validation of provider assessments and standards to ensure a Certificate III awarded by one provider is to the same level as a Certificate III awarded by another? Such a proposal might be greeted by providers as yet another bureaucratic imposition, but it could be that our current audit regime is too focused on procedural issues and systems rather than outcomes. Do we currently have a quality system in VET that is the worst of all worlds—bureaucratic but ineffective?

VET practitioners are also being challenged to meet the skill demands of the rapidly changing labour market and to play a broader role in enterprise workforce development. In such an environment, many VET professionals will be working in continually different ways and in varied contexts, requiring them to extend their skills. This may present a challenge for some in the VET

[21] DEEWR (2010) *Transparency in the vocational education and training (VET) system—My Skills*, http://www.deewr.gov.au/Department/Budget/Documents/FactSheet10BudgetMySkills-JS.pdf, accessed 10 August 2010

[22] National Quality Council http://www.nqc.tvetaustralia.com.au/nqc_publications/february_2010/refining_the_aqtf_excellence_criteria, accessed 19 September 2010

workforce and their employers. In addition, the workforce is ageing, quite casualised and in some cases not appropriately qualified for the task. The renewal of the VET workforce is not just an issue of replacing those who will retire over coming years. This may require new roles as well as industry currency and a much wider repertoire of professional expertise.

Developing meaningful performance measures

Decisions about governance and funding are related to the key performance measures that are applied to the system to assess the outcomes from that investment. Providers use the language of courses—diploma or certificate—in their core vocabulary for describing what they do. However there is some discomfort with the use of course completion rates as a performance measure. Providers argue they are not totally appropriate as an outcomes measure, as VET students are often more interested in skills than credentials and many 'drop out' for reasons unrelated to their training.

In other countries, outcome measures such as completion rates are a key tool in influencing provider behaviour to focus on the needs of students. Currently in Australia funding is largely allocated, and performance mainly measured, on input and activity measures such as enrolments and student contact hours delivered. Do we need to switch to more outcome- and output-focused indicators, and is it possible to take account of the varying barriers and learning disadvantages that providers need to address across regions?

Additionally, there are gaps in the 'visibility' of outcomes achieved from VET providers' community engagement activities. With the anticipated growth of services in workforce development, how might we capture the outcomes achieved by providers working collaboratively with employers in this domain? What adjustments would be required to our data and management systems to enable them to cope with these changes?

It is not clear whether providers in the system are in a position to meet the changing needs of individuals, communities and industry. For privately funded and non-accredited informal or non-formal vocational education and training, we simply do not have the data to get a clear picture of what is happening nationally.

Positioning VET in a tertiary education sector

The Bradley review of higher education recognised that higher education and VET each have their own distinct characteristics and missions. However, trends in occupational levels suggest that VET now occupies a blurred and problematic position in the tertiary education market.

There has been a historic decline or 'hollowing out' of intermediate occupations and a growth in occupations at the higher and lower ends of the spectrum. Many more occupations are now degree-entry. In the past, this has resulted in whole areas of VET institutions being hived off to create universities. Today, universities also have the capability through their new entitlement funding model to offer more qualifications at the associate degree level. This could further expand their reach into intermediate and paraprofessional occupations, as these qualifications are the same level as VET diplomas and advanced diplomas. Indeed, the University of Canberra has talked about establishing a 'polytechnic' as part of an 'omni-versity'.[23]

One response to these shifts would be to uncouple institutions from sectors and allow more TAFE institutes to access publicly funded places for degrees. Many TAFE institutes are already offering associate degrees, albeit on a full-fee basis. Holmesglen Institute in Victoria is also offering publicly funded bachelor degrees in nursing. Should this become the norm, in effect creating what some would call a polytechnic sector? If so, many would argue that 'VET degrees' should concentrate on areas where the VET provider already has the expertise and the clients, rather

[23] Ross, J (2010) 'Canberra's new experiment: the omniversity', *Campus Review*, 24 May

than branch into entirely new markets that might alter VET's core nature and purpose. Similarly, it might be argued that higher education providers should not move into traditional VET areas.

But are these boundaries between sectors artificial or historical vestiges that are no longer relevant? Is there scope to encourage the creation of more institutions like the dual-sector universities in Victoria, perhaps through establishing 'networked institutions' of TAFE institutes and universities? In these networks the university might franchise some of its places for delivery by the TAFE institute. In the United Kingdom, nearly 10 per cent of higher education is delivered by VET equivalent providers.[24] Their 'foundation degree', which is the same level as an associate degree/advanced diploma in Australia, has been particularly successful as it guarantees progression to the third year of a university course. This provides more secure pathways than the current credit transfer and articulation arrangements in Australia. Many of these arrangements in Australia have proved too dependent on individuals within institutions. They have not made the return expected on the effort involved.

An alternative view is that 'VET degrees' are primarily an ambition of providers and a distraction from VET's core business of supporting foundation, trade, intermediate and supervisory level occupations. Some would argue that VET degrees, or alternatively VET qualifications offered by higher education providers, might reinforce the predominance of the institution-based delivery model.

Determining future funding—who pays and how much?

A wider remit for VET in workforce development, increased mentoring for disadvantaged learners and other support services in institutions and workplaces inevitably raises funding issues as such services do not come without a cost.

The recent decline of public funding has already been raised as an issue. However, the relative contribution of different levels of government, students and employers also needs to be canvassed. The question of who pays for VET, and how much, should be related to who benefits from VET.

Expansion of funding to meet forecast demand is only part of the conundrum—the division of responsibility for any increase as well as how those funds are allocated is equally significant. Recently there have been developments in higher education and in some state VET systems to a system where funding follows the student, resulting in a move away from the purchaser–provider or profile funding models established in the 1990s. This is contentious for a variety of reasons. Firstly, many in industry claim it does not take their needs into account. It also assumes the student has the information and experience to make an informed decision that also takes into account their likely job prospects. If funding for individual students in VET moves to an entitlement-based system, should it be supplemented by an 'enterprise-responsive' funding stream so employers can decide which programs are necessary for developing their apprentices, trainees and other employees? This then raises the question of how to ensure public funding does not simply substitute for enterprise funding of training and development programs.

The degree of public subsidy for training might potentially be tailored according to an individual's current and projected capacity to pay. The Bradley review's recommendations on higher education included, for example, making income-contingent loans available to higher level VET qualifications.

Similarly, financial incentives are provided, especially by the Commonwealth, to employers of apprentices and trainees. A range of views have been expressed on the utility of these incentives, especially the assistance for existing-worker trainees.[25] Is this incentive system effective and providing value for money? Or should the existing-worker trainee funds, for example, be used to expand enterprise-based training?

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[24] Higher Education Funding Council for England (2008) *Foundation degrees key statistics 2001–02 to 2007–08*
[25] Mawer, G and Jackson, E (2005) *Training of existing workers: issues, incentives and models*, NCVER, pp. 27–28

Establishing stronger foundations for the future

The recent introduction of a single Ministerial Council for Tertiary Education and Employment signals all governments' backing for a more coherent and integrated approach to tertiary education that better connects higher education and VET. Some states and territories are also addressing policy for the sectors more holistically through the development of tertiary education plans. Several have introduced an entitlement for VET students, complementing the Australian Government's higher education entitlement, to a publicly funded training place which they may use at a provider of their choice.

In *Foundations for the future*, Skills Australia supported an expansion of the VET market through increased competition as a means of stimulating demand for skills. A 'managed market' approach was suggested with caveats for heightened regulation and safeguarding against market failure.[26] If providers are going to operate in a world where funding is even more competitive, are the current governance arrangements adequate and appropriate? When public funding for training was opened up to competitive tendering, many private and community-based providers entered the market. Several thousand providers in a marketplace means that VET is a difficult and expensive system to regulate. Does the current number of providers indicate that it is too easy to enter the market? Are providers paying registration fees at a level that ensures the regulatory system can do its job properly?

Balancing the needs and interests of individuals, employers and industry is a central theme in market reforms. There is a risk of skills gaps occurring in critical areas and industry needs to be assured that its needs can be met. Meeting the broader community service needs that VET provides is another element to be addressed.

Some have suggested that TAFE institutes should be 'corporatised' to give them greater autonomy and enable agility in a more competitive environment. But others have argued that this should only happen when quality regimes in VET are more robust. A corporatised approach also raises the question of what the core purpose and mission of the public provider should be.

The following section discusses in more depth the nature and scale of the changes that may be needed to influence systemic, institutional and individual behaviours to bring about better outcomes in VET.

[26] Skills Australia (2009) *Foundations for the future: proposals for future governance, architecture and market design of the national training system*, p. 3

2 Strategic issues for future vocational education and training

2.1 A new mandate for the sector

Innovation and business sophistication have not been hallmarks of Australia's competitive advantage. Productivity growth has been disappointingly low in the last decade.[27] We lag behind North America, northern European and many Asian countries in the competitiveness derived from our innovation capability.[28] The economic environment in which this is being played out is characterised by fierce global competition, increasing complexity, high risk and greater uncertainty than ever before.

The assumption that a highly qualified population in and of itself results in increased innovation, productivity and economic growth is being re-evaluated in Australia and elsewhere. This is not to deny the intrinsic value of education and its labour market and personal benefits. A highly skilled workforce is crucial for strong economic performance. But the complex interaction of factors that unleash the innovative and productive potential of skills is now seen as linked to work organisation, management skills and practices, organisational culture and linkages outside the enterprise.

To improve productivity and innovation levels, not only do workers need the right types of skills, but their skills need to be used effectively in the workplace.[29] More needs to be done to stimulate employer demand for the effective use of skills. Industry representatives emphasise the link between innovation, skills and productivity.

> Lifting the skill levels of Australia's workforce will undoubtedly contribute to productivity growth but we must optimise the learning process by using it as a proactive means of diffusing new knowledge … This notion goes … to the very heart of building a sustainable model for innovation within industry and starts to lay the formative linkages between innovation, skills and productivity.[30]

Training providers cannot instigate or effect changes to enterprise work processes, practices or culture on their own. Productivity improvements and innovation stem from enterprise-identified need and a clear understanding of where skills might fit into the equation. The service relationship between training provider, employer and employee thus becomes a much more sophisticated transaction of interpretation and facilitation. It is not merely about delivering a standard training course.

There is certainly a strong case for realising Australia's productive and innovative potential. However, the broader role of the VET sector in supporting this has not been clearly articulated. In deliberating the future development of the VET sector, a strategic issue is whether its role in workforce development and support for enterprise innovation should be acknowledged and valued as a core function. A critical related issue is how it might be enabled and supported through a more competitive and demand-driven funding system.

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[27] Australian Government (2009) *Powering ideas: an innovation agenda for the 21st century*, Department of Innovation, Industry, Science and Research, p. 2; see also Productivity Commission, http://www.pc.gov.au/research/productivity/estimates-trends/trends. The long-term average growth between the mid-1960s and 2007–08 of Australia's multi-factor productivity has been 1.1 per cent a year. In the 2000s Australia has had several successive years of declining productivity

[28] World Economic Forum (2010) *Global competitiveness report 2009–2010*, p. 75, http://www.weforum.org/pdf/GCR09/GCR20092010fullreport.pdf, accessed 4 August 2010

[29] Healy, J and Martin, B (2008) *Changing work organisation and skills requirements*, NCVER

[30] Chairs of Industry Skills Councils (2009) submission to Skills Australia consultation on *Australian workforce futures*

The VET sector will also need to be alert to the complex influences that shape economic and social developments and emerging occupations and skills. In general, the labour market is quite dynamic in responding to the majority of changing skill needs and economic fluctuations and this requires equal responsiveness from the VET system.

But in some cases the labour market is less able to adjust quickly and market failure, that is, skill shortages or over-supply of skills, might occur. Skills Australia has proposed the development of skills strategies for specialised occupations—those requiring a long time to develop and those that cause disruption, cost or bottlenecks when there is short supply. Such occupations need more comprehensive interventions in co-ordination with industry, professional bodies and educational providers. Actions to realise such workforce development strategies go beyond education providers alone and involve concerted approaches with other agencies and employers. The sector's preparedness to work on these specialised occupation skill strategies will be important in preventing damaging skill gaps or shortages that tend to re-emerge when economic growth accelerates.

Achieving better use of skills in the workplace

Research indicates that many people's new and existing skills are underutilised. For example, 30 per cent of Australian tertiary graduates have qualifications exceeding their occupational classification. This phenomenon is most acute among VET graduates. Being overqualified at work is most common for people with diplomas and advanced diplomas.[31] The occurrence of over-skilling, or skills mismatch, with its negative impacts for workers, is also reported.[32]

Mismatched workers, or those whose skills exceed what a job requires, can be worse off than those whose skills match what is needed for the job. Mismatched workers have higher job mobility, receive lower wages and experience lower job satisfaction. These impacts also have a 'scarring' labour market effect. A worker who is not well matched today is more likely to experience skills mismatching in the future.[33] This represents an underutilised investment from individuals, employers and government—but it also highlights an opportunity to increase productivity for enterprises and job satisfaction for individuals.

Achieving better use of skills in the workplace goes beyond training to focus on how skills are applied at work. Workforce development is a broader, more sophisticated response than the traditional approach to skills creation.[34] It involves better job and organisation design and better management, as well as the implementation of business improvement strategies. It involves:

> 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.[35]

Through their strong connections with employers, workplaces and industry, VET providers can potentially expand their roles to be a catalyst for workforce development.[36] VET can help drive increased productivity in workplaces by supporting enterprises in optimising the capability of their workforce and promoting workforce development. Providers can also work in partnership

[31] Skills Australia, *Australian workforce futures*, p. 43
[32] Mavromaras, K (2009) 'A skilled workforce for the future', *Insights*, vol. 6, pp. 35–39
[33] Mavromaras, K, McGuiness, S and Fok, YK (2009) *The incidence and wage effects of overskilling among employed VET graduates*, NCVER
[34] Independent Pricing and Regulatory Tribunal NSW (2006) *Up-skilling NSW*, p. 43
[35] Skills Australia, *Australian workforce futures*, p. 7
[36] Independent Pricing and Regulatory Tribunal NSW, *Up-skilling NSW*, p. 50

with business support services such as the Enterprise Connect program run by the Department of Innovation, Industry, Science and Research.[37]

VET's role in promoting workforce development and better skills use in the workplace

The involvement of VET providers in workforce development entails working cooperatively with enterprises to develop and implement holistic solutions. In consultations conducted by Skills Australia, industry stakeholders have noted 'the power paradigm needs to be shifted to place the industry and the individual at the forefront of a facilitated process which sees the RTO as a partner and not the driver'.[38]

Ways in which providers can facilitate the use of skills and promote workforce development include:

- engaging in dialogue with employers and employees about business operations and directions and how better skills use can support this
- working with employers, business support services and other stakeholders to create business development and skills utilisation strategies
- aligning training with business objectives and performance and balancing this against the need to ensure that employees develop transferable skills
- contributing to organisational learning—for example, designing training that can assist firms to integrate insights from customers, suppliers or other external sources, and to innovate
- taking a whole-of-enterprise view and offering learning and development opportunities suited to different workplace groups, including management
- working with diverse people and organisations, such as researchers, industry consultants, equipment suppliers, other education and training providers and regulators, to provide relevant consultancy services, including skills audits and skills gap training.

A review of partnerships between TAFE NSW and industry demonstrated business improvements, return on investment and/or productivity increases in almost all cases where the above approaches were used.[39] Similar research and case studies described by Skills Victoria[40] and West Coast TAFE[41] have also demonstrated the outcomes of successful collaborations with industry.

It is fair to say that most of the work being undertaken across the VET system on workforce development is embryonic, and requires a more co-ordinated approach if further traction is to be gained in this area. Expertise in Australia in this area exists in the large commercial consultancy firms and business support services, such as the Enterprise Connect program, run by the Department of Innovation, Industry, Science and Research as well as in some industry associations. Skills Australia has recommended that Enterprise Connect be expanded and enhanced to extend its work in skills utilisation with small and medium enterprises. Industry Skills Councils also have a significant role and track record in workforce development initiatives,

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[37] Enterprise Connect is a government service that offers advice and support to eligible small and medium-sized enterprises to help them transform and reach their full potential. http://www.enterpriseconnect.gov.au/Pages/default.aspx, accessed 15 July 2010

[38] State ITAB (2009) submission to Skills Australia consultation on *Australian workforce futures*

[39] TAFE NSW (2008) *Improving the bottom line: why industry values partnerships with TAFE NSW*, https://www.tafensw.edu.au/employerservices/national/improving_the_bottom_line.htm, accessed 14 July 2010

[40] Department of Innovation, Industry and Regional Development (2008) *Skills Victoria—Building skills, growing business: innovative partnership solutions for the future*, http://www.skills.vic.gov.au/__data/assets/pdf_file/0019/12268/SV-BuildingSkills-GrowingBusiness.pdf

[41] 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

recently having led activities through the Commonwealth's trial of Enterprise-based Productivity Places Program.[42]

Affirming and expanding the VET sector's mandate in workforce development means determining what systemic changes are needed so this becomes core business.

Strategies for discussion include:

- Partnership approaches: providers working in partnership with Enterprise Connect consultants, with funding to support this. This approach would largely be a brokerage role, with VET practitioners connecting enterprises with business strategy experts, and working in partnership to identify a firm's skills needs and how these might best be met.
- Developing new services: providers building on existing links with employers or industry sector representatives to create new services. Fundamentally, this would require VET providers to proactively approach industry and offer to work with them to provide tailored solutions to meet their business needs. Services could include skills audits, training needs analysis, leadership and management training (especially for frontline managers), recognition of prior learning, and improving job design.
- Funding new approaches: governments providing initial seed funding, with funding reduced over time. In the medium to longer term, these services could form part of an extension to the provider's fee-for-service offer. Revenue targets could be set for publicly funded providers, which could help to ensure that these approaches become part of their business plans and therefore embedded in their strategies.

Working beyond the enterprise—'cluster'-based approaches

Vocational education and training plays an important role in community and regional development initiatives. Here solutions go beyond working with enterprises to more holistic approaches that incorporate other partners such as community groups and government agencies. States and territories play an essential role in fostering these 'skill ecosystems', or cluster-based, initiatives.

A skill ecosystem is a self-sustaining network of workforce skills and knowledge in an industry or region. Notable programs have been developed in Queensland, New South Wales and South Australia.[43] For instance, consultations undertaken by Skills Australia indicated that in Queensland, workforce development was seen to have a strong regional and community dimension—using a stakeholder cluster approach to develop local solutions to workforce issues. A program of over 40 Skills Formation Strategies have been undertaken in that state since 2008 and currently 17 are underway.

[42] DEEWR, Enterprise based Productivity Places Program description, http://www.deewr.gov.au/Skills/Programs/SkillTraining/ProductivityPlaces/ExistingWorkers/Pages/ForExistingWorkers.aspx
[43] Queensland Training and Employment, http://www.trainandemploy.qld.gov.au/resources/industry/pdf/skills-formation-factsheet.pdf; South Australia Works, http://www.saworks.sa.gov.au/Informationfor/Regions/tabid/81/Default.aspx

Surat Basin workforce development plan

In the Surat Basin, coal seam gas developments are leading to a comprehensive strategy not only to attract skills but also to build long-term sustainable communities with diverse social and economic infrastructure. The Queensland Department of Education and Training is working in partnership with Toowoomba, Western Downs and Maranoa Regional Councils, AEC Group and other stakeholders and organisations to identify possible future workforce needs and strategies to mitigate any impact from large industries expanding in the Surat Basin. Community meetings have been held to identify community issues and actions to be included in the workforce development plan, and enterprise surveys are being undertaken to ensure business growth in the Surat Basin is supported by comprehensive workforce planning and development.[44]

Common elements in skill ecosystems projects include:

- addressing the labour market and workplace issues affecting skills development as well as considering education and training responses
- working through the problem to be addressed and investigating how various labour supply strategies can make a difference
- involvement of stakeholders who are committed to addressing a broad agenda rather than narrow business interests
- interventions that are designed across an industry or region, not just an individual firm
- an emphasis on building industry capability to more systematically plan and manage skills development in ways that can be sustained by individual businesses as well as at an industry and/or regional level.[45]

Just as new connections with enterprises and ways of working within skill eco-systems will be needed by RTOs, engagement with other service providers and employers in disadvantaged communities requires a holistic and integrated approach by RTOs. The National VET Equity Advisory Committee argues the importance of overcoming 'siloed' approaches by government and others and has identified the importance of harnessing the efforts of various service providers, including RTOs, in place-based work. They suggest resources might be pooled and targeted to tackle learning and employment outcomes, particularly in areas experiencing multiple disadvantage.[47]

Waltja Women Leaders' Project

Work undertaken in Central Australian Indigenous communities is an example of 'place-based' strategies that address not just skill issues but also community capacity building to help overcome local barriers. The Waltja Women Leaders' Project described the need to accredit the 'often hidden work and knowledge of Aboriginal women' in developing children's services and youth programs in remote communities.[46] Gaining competencies means the women are eligible to apply for paid positions in community-based services.

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[44] See Queensland Training and Employment, http://www.trainandemploy.qld.gov.au/industry/csg-lng/skilled-workforce/development-plan.html

[45] Windsor and Alcorso, *Skills in context*

[46] Lynch, A and Taylor, J (2009) *Minmaku Palyantja Palya: Waltja Women Leaders' Project Independent Project Evaluation on behalf of Women in Adult and Vocational Education (WAVE) and Waltja Tjutangku Palyapayi (Waltja)*, http://www.waltja.org.au/pdf/final%20minmaku%20e%E2%80%A6ation_AL_JT.pdf, accessed 6 August 2010

[47] National VET Equity Advisory Committee (2010) *Equity blueprint—Creating futures: achieving potential through VET* (draft), p.13

Realising Australia's innovation potential

The Australian Bureau of Statistics found that just over one-third (37 per cent) of Australian businesses are 'active innovators', a proportion that has remained unchanged for many years. Active innovation is defined by the ABS as including the implementation of technologically new or improved goods or services, operational processes, organisational or managerial processes, or marketing methods.[48] The degree of innovation varies depending on the sector and the size of the firm. High-innovation industries are mining, manufacturing, property and investment and communication services, while personal services, retail trade, cultural and recreational services, health and community services, and construction are classified as low innovation industries.[49] Small firms with fewer than 20 employees are less likely to innovate than those with more than 100, and Australia has a smaller average firm size than many OECD countries.[50]

The Australian Government's innovation white paper described the need for urgent action to boost the nation's innovation capacity and performance. It underscored the importance of promoting innovation skills and capability building in the workplace, strengthening innovation management inside enterprises, and developing multidisciplinary approaches and networks at the local and global level.[51]

The VET sector plays a significant, but largely unacknowledged role in fostering innovation and diffusing new technology across workplaces. This could be attributed to what the Cutler review of the national innovation system described as the 'cultural divide' which has ignored the 'unglamorous' role of trades in innovation:

> The role of crafts and trades in innovation has been massively neglected, particularly in the important areas of continuing incremental innovation in the workplace. Often major breakthroughs come from seemingly little ideas or insights arising from hands-on engagement.[52]

Sources of innovation, as described by Green, are not just science and technology, but are multiple and non–linear, occurring though collaborations rather than silos. In particular, he emphasises the importance of management, leadership and workplace culture in enabling innovation.[53] Increased skills are a necessary, but not sufficient, component for innovation.

Clearly, the future for increased Australian innovation brings the firm into sharp relief as a core site of innovation. This means having not just the strong foundation of a highly skilled workforce at the individual and team level, but also their motivation and engagement in productive practices and continuous improvement. Cutler argues that increased knowledge, improved business practices and management proficiency are required. Avenues for stimulating enterprises' investment in skills, such as an enterprise stream of funding for workforce development, have been canvassed by Skills Australia in *Australian workforce futures*.

Development of more innovative and productive work practices will entail holistic approaches across enterprises and augurs quite a different role for VET practitioners in working with, and within, firms as well as working in partnership with other experts.

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[48] ABS (2008) *Innovation in Australian business 2006–07*, cat. no. 8158.0, table 1
[49] Toner, P, Marceau, J, Hall, R and Considine, G (2004) *Innovation agents: vocational education and training skills and innovation in Australian industries and firms—volume 1*, NCVER
[50] Toner, P (2009) *Workforce skills and innovation: an overview of the major themes in the literature*, OECD Committee for Scientific and Technological Policy, p. 26
[51] Australian Government, *Powering ideas*
[52] Cutler and Company (2008) *Venturous Australia: report of the review of the national innovation system*, Department of Innovation, Industry, Science and Research, p. 48
[53] Green, R (2009) 'Innovation capability in the economy and workplace', presentation to the Training and Skills Commission, Adelaide, 17 June

Considerations for the sector's future role in innovation

VET practitioners can act as innovation agents in partnerships with industry and research and development organisations. However, OECD evidence shows that partnerships need to be systematically supported. Where there is not systematic support, partnerships often depend heavily on personal relationships, which are subject to change.[54]

There is a strong tradition in VET of partnerships and specialised units that support and actively foster innovation in particular industries and fields of study. In studies of successful innovation-intensive firms, characteristics included close collaboration between the firm and the training provider, particularly in the customisation of services to the firm's requirements. However, Toner has long asserted that the VET sector's role in innovation is largely ignored and its potential is under-developed. Factors limiting the sector's active role include:

- lack of currency in the skills of the VET workforce
- resource constraints that restrict time for knowledge-sharing or the purchase of new technology
- narrow models of working with industry and enterprises.[55]

Another aspect of the VET sector's role relates to the development of both specific and generic content in training packages to promote innovation. The Innovation & Business Skills Council has focused on generic innovation skills that are relevant to any workplace context in its recent work on the innovation skills framework (innovation@work) and supporting material for trainers, assessors and businesses. These skills can be used as stand-alone units of competence within qualifications and are also intended for integration into other units during course design.[56]

Environmental sustainability—a crucial innovation challenge

As nations seek to reduce pollution and mitigate climate change, the VET sector's potential to act as an agent of innovation has been raised extensively in debates on 'green skills' or 'skills for sustainability' in Australia and overseas. Australian governments have agreed on action through the National Green Skills Agreement (2009) to ensure that 'skills for sustainability are an integral part of all vocational education and training and are relevant to the needs of industry'.

'Eco-innovation' is a term used by the OECD to refer to business innovation that has the effect of reducing the environmental impact of the production process, service or technology.[57] The scope of eco-innovation is very broad, often concerning all employees in a business. It can involve re-educating customers and clients as well as introducing new processes or procedures.

Although the issues are similar to those surrounding VET's role in other forms of innovation, any development of the sector's role in this arena will need to occur on several fronts. For example, training packages, teaching resources and equipment will need to incorporate the latest environmental thinking as eco-innovation is a highly dynamic and continually shifting field.[58] Importantly, green skills development will often require moving beyond the traditional boundaries of a training discipline or the traditional business of a VET provider.

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[54] Harris, R, Simons, M and Moore, J (2005) *A huge learning curve: TAFE practitioners' ways of working with private enterprises*, NCVER, cited in Hoeckel et al., *Learning for jobs*, p. 44
[55] Toner, P (2007) *Skills and innovation: putting ideas to work*, NSW Board of Vocational Education and Training.
[56] Innovation & Business Skills Council (2009) *Developing innovation skills: a guide for trainers and assessors to foster the innovation skills of learners through professional practice*, p. 3
[57] OECD (2009) *Policy brief*, June 2009
[58] Martinez-Fernandez, C, Hinojosa, C and Miranda, G (2010) *Greening jobs and skills: local labour market implications of addressing climate change*, working document, Local Employment and Economic Development Programme, OECD, p. 20

Extending the VET practitioner role

A broader mandate for VET—particularly in developing new services for working with enterprises, and supporting enterprise workforce development and innovation—will require registered training organisations and practitioners to expand their role. This would include working collaboratively with employers, managers, human resources staff and learning and development staff in enterprises. It would often mean practitioners working onsite with enterprises to fully understand the nature of the business and working with staff to tailor suitable strategies.[59] It also presupposes practitioners have:

- up-to-date industry knowledge
- access to new technology, plant or equipment
- the resources and capability to customise material for the specific enterprise context.

Above all, a broader mandate for VET will require a more proactive interaction with enterprises and a more entrepreneurial culture, particularly in public providers. This theme is developed in later sections of this discussion paper.

VET practitioners could have opportunities to specialise in new areas, such as business improvement, organisation of work and redesign of jobs to improve the use of skills. VET providers might need to bring in new staff, or significantly upskill their existing staff, so they can successfully achieve broader engagement with industry.

Improving workplace performance is primarily the responsibility of employers. It is not proposed that the VET practitioner should take on the role of either the HR manager, or the business adviser or recruitment agency to the firm. Rather, the VET practitioner's role would be akin to that of an educational consultant in these areas.

A range of skills and knowledge for VET practitioners in working with skill ecosystems have been identified.[60] These include a clear understanding of the fundamentals of skill ecosystems; working in multidisciplinary teams; understanding of systems or organisational mapping; collaborative partnerships and planning; facilitating change; and specific competencies identified by teams or individuals, such as project management, training needs analysis and computer skills.

Skills Australia sees this expanded role as legitimate and necessary for the contemporary VET practitioner.

More needs to be done

There are many examples of government initiatives that have supported the VET sector in working with enterprises to provide services tailored to the business needs of firms, regions and industries.[61] Flexible strategies have included job redesign, career planning, retention strategies, flexible employment arrangements, teamwork and increasing levels of autonomy to promote greater skills use.[62]

To further this agenda at the governmental level, the Ministerial Council for Tertiary Education and Employment has established a Principal Committee for Workforce Development, Demand and Supply. However, if, as Skills Australia believes, enterprise consultancy services should become a core and expected function of VET's role, then specific strategies and systemic change will be needed to support it.

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[59] TAFE NSW, *Improving the bottom line*
[60] TAFE NSW International Centre for VET Teaching and Learning (2006) *Skill ecosystem capability development strategy: a model for consideration*
[61] Queensland Training and Employment Skills Formation Strategies—Examples, http://www.trainandemploy.qld.gov.au/resources/industry/pdf/skills-formation-strategies.pdf
[62] TAFE NSW, *Skill ecosystem capability development strategy*

Strategies for consideration include:

- develop and resource a workforce development strategy for the tertiary sector workforce focused on skills to support new roles in enterprise workforce development and innovation
- initiate national and state-level programs to support development of networks to address skills, workforce and innovation challenges that need to be addressed at the regional or sectoral level
- expand and enhance the Enterprise Connect program to extend its work, particularly among small and medium sized firms, in linking skills use with business innovation
- develop performance indicators for voluntary inclusion by registered training organisations on the MySkills website that illustrate best practice in provider engagement in workforce development. The Australian Universities Quality Agency's Good Practice Database provides a possible model that could be adapted for use in the VET sector.

Discussion questions

1. If workforce development is to become a core function of the VET system, then how can RTO engagement with enterprises, to advance better use of their workers' skills, become standard practice across the sector?

2. What is the balance of responsibilities between industry sector organisations, trainers/teachers, managers in developing the use of skills in the workplace? How can VET best support enterprises?

3. What is the best way to fund the expansion of workforce development services? What sort of outcomes should we be interested in if a level of public funding is involved?

4. Does VET have a specific role in teaching innovation skills? What is the best way for these skills to be taught?

5. How can teachers/trainers best be prepared to take on a new role in workforce development and innovation and better use of skills in the workplace?

2.2 Improving the VET experience—providing a better deal for learners

Exponential advances in technology and their integration into the workplace mean the 'knowns' of today are short-lived. This, along with increasing globalisation and the effects of climate change, means workers of the future will need new skill sets, some not even imagined yet. More importantly, individuals will need the opportunity to continuously adapt and to engage in learning throughout their lives.

This has significant implications for the VET sector, which will need to be ever more agile, flexible and responsive to the requirements of industry, individuals and communities. VET products and services will need to be diverse and often customised to meet the varied needs of the sector's clients.

Learning too is increasingly delivered across national and international borders, diffused through myriad sources, and through a range of expanding information and communication technologies. This presents both opportunities and challenges for current and future educational provision in an increasingly competitive global environment.

If the VET experience is to be effective and to prepare students well for the future world of work, it must address certain factors. First, the diversity of the VET cohort must be taken into account in both the kinds of programs that are offered and the way they are provided. The content, method and the nature of skills provision will be affected by the life experiences, capacities, motivations, resources and varied need for particular educational and other supports among VET learners. These may be complex and, in some cases, expensive.[63]

Second, the VET system will need to attract those who are not currently engaged in learning and in many cases will need to help students to build the foundation skills that will enable participation in both future learning and work. Achieving a workforce participation target of 69 per cent by 2025 will require an increased engagement with learners experiencing disadvantage to provide the skills they need to participate in the workforce. This will require more innovative, personalised and outreaching delivery strategies to achieve more effective outcomes than at present. It will also require appropriate student income support.

Third, the VET system has been built around preparation for work and industry-determined outcomes, with a focus on competency-based learning and the primacy of workplace learning. However, the majority of VET students are studying at a TAFE or private college and their exposure to the workplace may vary considerably from one provider to another. Incorporating workplace learning into campus-based programs will continue to be an issue of importance.

Finally, the role and function of certain kinds of VET qualifications into the future will need to be considered, taking into account the proposed reforms in the development of VET products[64] and recent developments in the proposed revision of the Australian Qualifications Framework (AQF). This discussion needs to take into account the overlap of VET with both the school and the university sectors at the upper and lower ends of the qualification scale and the place of skill sets and short courses in the VET spectrum of provision.

[63] NQC (2009) *VET products for the 21st century*, p. 4
[64] ibid.

Recognising the scope of VET

In 2009 there were 1.7 million students enrolled in the public VET system. This represents around one in nine people in Australia aged 15 to 64 years. Of these 86 per cent studied part-time.[65] Data on the contribution of the private sector is limited but we know that in 2009 private providers were responsible for 230,000 publicly funded students (out of the total of 1,7 million) and enrolled 192,300 international students(not counted in the public total). [66] Internal work conducted by the NCVER indicates that the private sector is large, though not as large as the public sector. Publicly funded VET draws people from a wide range of backgrounds and socioeconomic groups and all ages from 14 years up. Indigenous students, students from low socioeconomic backgrounds and remote students are represented at higher proportions within publicly funded VET than in the total population.[67]

VET also provides an immensely diverse range of courses, from chainsaw operations to mortuary theatre practice. It includes foundation programs and the traditional trades, but also new vocations such as interactive digital media, computer game development and web design. Courses may range from half-day programs to advanced diplomas and associate degrees.

In 2009, management and commerce was the most popular field of education, with 19.2 per cent of all students, followed by engineering and related technologies, with 16.6 per cent of students.[68] In 2009, compared with 2008, students undertaking AQF qualifications increased by 5.5 per cent to 1.3 million students. Students studying diploma and above qualifications increased by 16.2 per cent and students studying Certificate IV qualifications increased by 14.9 per cent.[69] This increase may have been due in part to the global financial crisis, with people seeking higher skill levels to remain competitive in the labour market.

This multiplicity of student backgrounds and interests needs to inform all aspects of VET provision. VET teachers, educational leaders and managers need to deliver their products and services with high levels of responsiveness to individual needs. They will also need to develop and adapt their professional skills to the rapidly changing and unpredictable skill demands of the future.

Responding to diversity

VET learners have a variety of previous experiences, skill levels and motivations for learning. Mature students form the largest cohort in VET institutions. In 2008, 57 per cent of VET students were aged 25 and over, compared with 37 per cent of higher education students.[70] The circumstances in which students experience VET teaching and learning are diverse. VET provision needs to address these varied motivations and contexts. The sector has a core responsibility to provide education and training that gives students skills for work, but VET also includes learners needing to build foundation skills and those who see VET as 'a second chance' in education or a pathway to university.

While VET learners can be broadly classified into campus-based and work-based learning categories, there is considerable diversity within these categories.

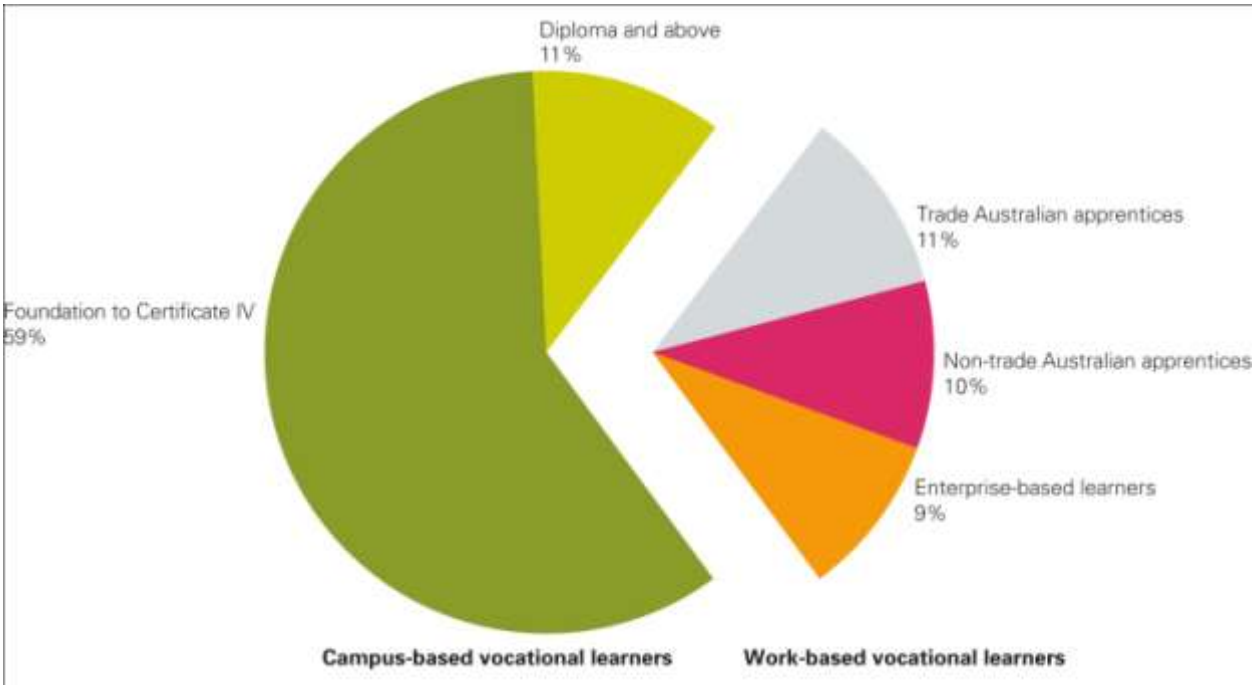
Campus-based learners may be studying to achieve an entry-level qualification to an occupation, acquire foundation skills, improve their job prospects in an existing occupation or

[65] NCVER (2010) *Students and courses 2009*; ABS (2010) *Population by age and sex, regions of Australia, 2009*, cat. no. 3235.0
[66] NCVER (2010) *Students and courses 2009* p. 2
[67] In 2008, Indigenous students made up approximately 4.8 per cent of publicly funded VET students compared to approximately 2.2 per cent of the working age population and 3 per cent of the 15–34 years population (ABS (2006) *Population characteristics, Aboriginal and Torres Strait Islander Australians*, cat. no. 4713.0); low socioeconomic status students made up 29.2 per cent of VET compared to 25 per cent of the population; remote students made up 4.6 per cent of VET compared to about 3 per cent of the population
[68] NCVER, *Students and courses 2009*
[69] ibid.
[70] NCVER (2009) *Students and courses 2008*; DEEWR (2009) *Students 2008: selected higher education statistics 2008*

change career. They are largely learning *about* and *for* the workplace, rather than learning *in* the workplace. Approximately 27 per cent of the campus-based learners are studying for reasons relating to their current job, 23 per cent are employed but studying in a field unrelated to their current job and about half (or 30 per cent of all VET students) are unemployed or not in the labour force.[71] Campus-based learners also include advanced vocational learners seeking to further their career or articulate to a higher education course. These students are studying at diploma level and above. They generally cite employment-related reasons rather than further study as their prime motivation. For some, however, VET is an alternative to university. These learners are more likely to be studying full-time. Approximately 42 per cent of students doing diploma or higher level courses are studying full-time, compared to 12.5 per cent of Certificate III students and 5.6 per cent of Certificate II students.

Work-based learners include apprentices and trainees who are engaged in a contract of training with an employer. These learners can be existing workers or completely new to the industry. They are learning both 'on the job' with their employer and 'off the job' with a VET provider. This group also includes high school students undertaking school-based apprenticeships. Apart from apprentices and trainees, a further nine per cent of VET learners are based in enterprises, primarily undertaking short courses or modules from training packages, sometimes customised for the workplace, to build required skill sets for their job. While large organisations are significant users of public VET training to upskill their workforce, medium and small firms do not participate to the same extent but may be using private training providers for this purpose. In most enterprises, non-structured learning opportunities also occur and informal learning through job rotation, coaching or similar changes provide upskilling for employees.

Figure 1: Approximate proportions of student cohorts in publicly funded VET, 2009



Source: Derived from NCVER VET collection, *Students 2009* and *Subject enrolments 2009*

Making flexibility and responsiveness the norm

It is increasingly important for providers of vocational education and training to offer easy-to-access, flexible, customised learning experiences to meet the varied needs of learners, whether they are learning at home, in the workplace or on a campus. Learners increasingly expect greater choice and control over the time, content and place of their training.[72] For many, work

[71] NCVER, *Students and courses 2008*; DEEWR, *Students 2008*
[72] 'Doing it their way', *Sydney Morning Herald*, 26 April 2005

commitments, location, family responsibilities, disability and other constraints affect their ability to attend campus-based, face-to-face, traditionally timetabled classes.[73]

Learners increasingly expect information and communication technology (ICT) to be integrated into their learning experience, with provision for online learning options, email contact with teachers and the ability to submit assignments electronically. Social networking tools and collaboration are also features of learning for many students. Modern teaching and learning strategies increasingly make use of online, DVD and web-based options, as well as simulated workplaces, self-paced learning and blends of online and classroom delivery. The Flexible Learning Advisory Group found that in 2009 e-learning was a component of 39 per cent of VET unit enrolments, up from 3 to 4 per cent in 2003–04.[74] The Vocational Education Broadband Network is expected to further expand the use of virtual classrooms and e-learning. Effective use of ICT requires learners and teachers to have ready access to up-to-date hardware and software and to the internet. They also need the skills to use them effectively.

Yet anecdotal evidence suggests the uptake of e-learning is patchy and largely the domain of 'innovators' and 'early adopters'.[75] Unfortunately, there is remarkably little research, either nationally or internationally, that quantifies the contribution of flexible delivery and e-learning to improving student outcomes.

Providers have also responded to learner needs for flexibility by introducing initiatives like continuous enrolment, where commencement times for courses are not tied to semesters or terms and exit times may also be flexible. Learners with work and family responsibilities, for example, are not always able to wait for courses to begin, perhaps six months or a year into the future. Similarly, workers facing redundancy often need to undertake training immediately to transition into a new job or career. Continuous enrolment has the added advantage of allowing class enrolments to be 'topped up' as they fall away, providing economies of scale.[76]

In general, the benefits of a more personalised/case-management approach to learning and student support are being recognised.[77] Services may include job placement, individualised learning through distance education and career advice. Personalised support and mentoring for apprentices through group training organisations[78] is well documented and many public[79] and private[80] providers employ specialist staff to assist students with special needs. These include students from Indigenous or culturally diverse backgrounds, as well as students with disability. Studies have also identified the need for a large investment in personal support by training providers to assist individuals making the transition from welfare to work through VET.[81]

Examination of best practice examples of provision of VET to Indigenous Australians shows the consistent benefit of mentoring and of student support officers and counsellors in helping people choose the right course, get the right assistance and complete their training.[82] Place-based approaches which make best use of a range of services and collaboration at the community level through wraparound services also have the potential to provide better support for disadvantaged learners.

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[73] Pocock, B (2003) *The work/life collision*, Federation Press, Sydney
[74] I & J Management Services (2009) *2009 e-learning benchmarking survey*, Australian Flexible Learning Framework
[75] Ithaca Group (2008) *Not just a faster horse: A Queensland VET E-Learning Strategy Framework for Action 2009–2012*, prepared for the Queensland Department of Education, Training and the Arts
[76] Macquarie University, 'Perspectives on continuous enrolment', http://www.ameprc.mq.edu.au/research_projects/2003-2005/perspectives_on_continuous_enrolment, accessed 8 September 2010
[77] Ellis, M (2005) *Improving VET outcomes using personalised learning*, NSW Department of Education and Training
[78] http://www.australianapprenticeships.gov.au/about/stories/employee_success/successjune05/visy.asp
[79] For example, the Canberra Institute of Technology provides student services including support for careers, recognition, learning, Indigenous, international, migrant and disability, http://www.cit.act.edu.au/current/services
[80] Communities at Work has a Professional Support Coordinator who provides professional development, inclusive services, tailored individual programs and networking opportunities, http://www.commsatwork.org/Training/ProfessionalSupportCoordinator/tabid/61/Default.aspx
[81] Guenther, J, Falk, I and Arnott, A (2008) *The role of vocational education and training in welfare to work*, NCVER
[82] TAFE Directors Australia (2009) *Case studies reflecting best practice in Indigenous vocational education and training*, Occasional Paper, Quarter One

The draft equity blueprint produced by the National VET Equity Advisory Council highlights the need for pathways and transition planning to employment for disadvantaged or disengaged learners by developing strong partnerships between government agencies, community organisations and employers. It notes that 'establishing and nurturing partnerships takes time, commitment and leadership and needs to be recognised as an integral component of effective quality training and assessment and support provided to learners'.[83] Case management approaches, or individual learning plans as used in the United Kingdom, may play a valuable role in personalised learning, allowing students, teachers and other partners to collaboratively set targets to be reached in a learning journey.[84]

Attracting and retaining a wider range of learners

If Australia is to achieve workforce participation rates comparable to the rates in other OECD countries, VET needs to engage more students and provide quality services to support them from initial enrolment to competency and course completion.[85] The first step in this process is to make VET an attractive option and to ensure better understanding in the community of the programs and services offered by VET. Better information about the range of job prospects available on graduation is also essential.

There is evidence of high usage of career development services at universities, but in the VET sector they are relatively limited.[86] Career development services in VET are often enveloped within general student counselling services and there is large variance in these services between VET providers. Many universities also provide employment services. However, in much of VET, despite strong links to industry, employment services such as Sydney Institute's CareersConnect[87] are not widely available.

Careers websites are used by just over one-third of young people.[88] Improved access to technology has the potential to provide better assistance to people in discovering their aptitudes and preferences. But it seems that personal interaction with experienced and knowledgeable professionals and acquaintances is fundamental to the provision of effective career guidance. People from lower socioeconomic backgrounds, in particular, have been found to be reluctant to make use of formal sources of career information such as institutional career counselling services, relying heavily on informal sources of knowledge including friends and parents.[89]

VET also needs to attract and support disadvantaged learners. There are many good practice initiatives across the VET sector that show how this can be done. Examples include literacy enabling programs for migrants; customised skills-based traineeships for Indigenous youth; mentoring for Indigenous learners;[90] literacy and enabling programs for unemployed people; literacy support for trade students; support for mature-age men (for example, via 'Men in Sheds' initiatives); literacy and childcare skills for young single mothers; and programs for women returning to work.[91] However, support for the full range of individual learners has not been provided consistently across VET institutions or in workplace training situations.

The Social Inclusion Board has identified a series of principles that could address this challenge. They include using evidence and integrated data to inform policy and approaches; giving a

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[83] National VET Equity Advisory Committee, *Equity blueprint,* p. 20
[84] http://sflip.excellencegateway.org.uk/PDF/4.2sflguidance_4.pdf
[85] NCVER (2009) *National VET research priorities: 2010 and beyond*, http://www.ncver.edu.au/research/proj/nr10021.pdf
[86] Phillips, KPA (2008) *Review of career development services in Australian tertiary institutions*, Career Development Section, Department of Education, Employment and Workplace Relations
[87] http://www.sit.nsw.edu.au/studentassociation/?Media_Index_ID=763&area=studentassociation
[88] Rainey, L, Simons, M, Pudney, V and Hughes, E (2008) *What choice? An evaluation of career development services for young people*, NCVER
[89] Greenbank, P (2009) 'An examination of the role of values in working-class students' career decision-making', *Journal of Further and Higher Education*, vol. 33, no. 1, pp. 33–44
[90] TAFE Directors Australia, *Case studies*
[91] Walstab, A and Teese, R (2008) *Social area differences in VET participation*, NCVER

high priority to early intervention; developing tailored services rather than a one-size-fits-all approach; building joined-up or 'wraparound' approaches; developing partnerships across VET and government agencies; and using locational approaches or a skill ecosystem approach within a community-based or locality-based context.[92]

Addressing multiple disadvantage

The VET sector has a strong profile in attracting proportionately more disadvantaged learners than any other educational sector. This is important because there appears to be a reasonably large positive employment advantage for those people who did not complete school yet gained a Certificate I or II, compared to others who did not complete school and have no other qualification.[93] The effect is particularly strong for people aged 19 and under.

In comparison to the higher education sector, VET has almost double the proportion of students from low socioeconomic backgrounds, triple the proportion of students from non-English-speaking homes, and five times the proportion of Indigenous students (see Table 1). In most states and territories, publicly funded VET features generous fee concessions for those in receipt of income support payments. In New South Wales, the fees are as little as $51 a year for an unemployed person on Newstart Allowance to undertake a diploma or advanced diploma.[94]

Table 1: Proportion of students in VET and higher education

	VET sector (%)	Higher education sector (%)
Indigenous	4.3	0.8
Non-English-speaking home	12.1	3.8
People with disability	5.9	4.1
Low socioeconomic background	29.2	15.0

Sources: NCVER (2009) *Students and courses 2008*; DEEWR (2009) *Students 2008*; NCVER (2007) *The socioeconomic status of vocational education and training students in Australia* (2001 data)

Low educational attainment underpins much social and economic disadvantage and can include people with characteristics that are not always collected in data, such as those from jobless families, the homeless and those living in localities of entrenched disadvantage. The National VET Equity Advisory Council's equity blueprint discussion paper describes the diverse, sometimes 'invisible' characteristics of learners who experience disadvantage:

> Learners who experience disadvantage are those who achieve poor outcomes from learning and, as a result, have poor employment opportunities. They may experience multiple features of disadvantage: low language, literacy and numeracy skills; low income; and disability or mental illness. They may live in remote communities, or communities with concentrations of low socio-economic status or they may be offenders in juvenile justice centres or correctional facilities. They may be Indigenous Australians or new arrivals and refugees. This very diversity and the multiple indicators of disadvantage make it difficult to identify them and offer the supports that might be needed.[95]

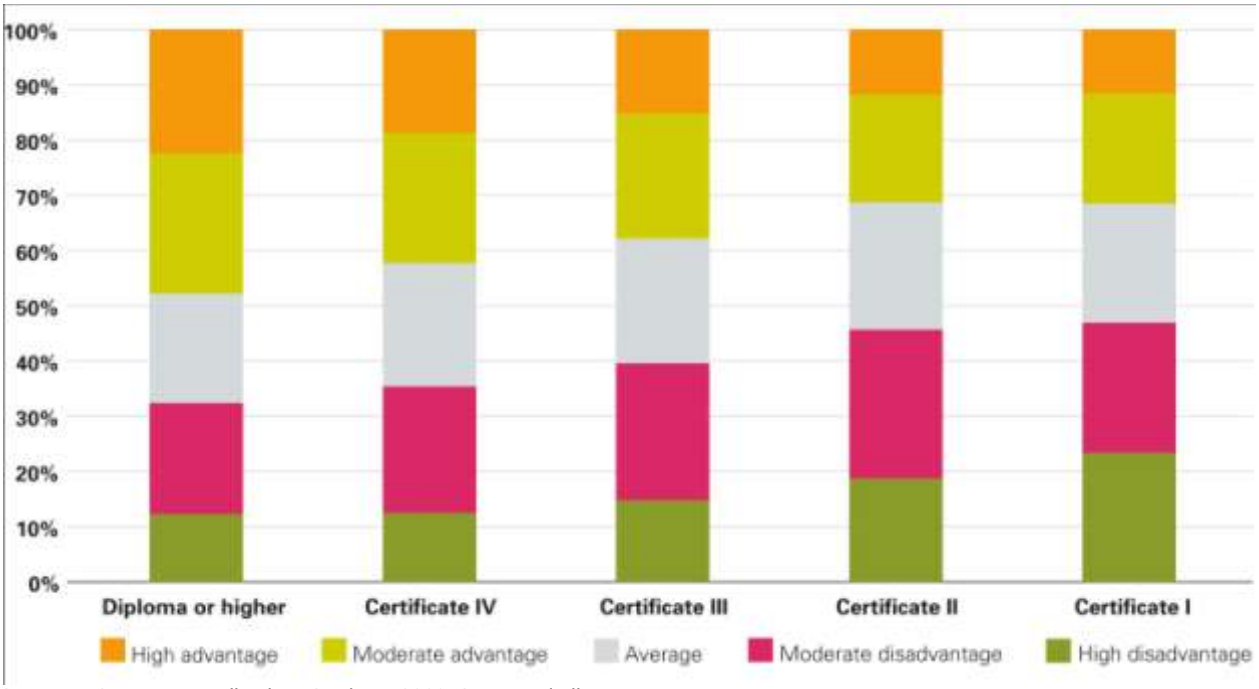
This complexity presents challenges beyond the normal range of interventions or supports used by VET providers for more identifiable issues.

[92] http://www.socialinclusion.gov.au/Resources/Pages/Resources.aspx, accessed 12 August 2010
[93] ABS, *Education and work, Australia, May 2009*, Table 6227
[94] TAFE NSW, *The 2010 TAFE NSW fees*, https://www.tafensw.edu.au/about/money.htm
[95] National VET Equity Advisory Council (2010) *Equal futures: Achieving potential through VET—Blueprint for change 2011–2016*, discussion paper, p. 8

Achieving better outcomes for disadvantaged students

There are currently low take-up rates of higher-level VET qualifications among disadvantaged students,[96] as measured by the Socio-Economic Indexes for Areas (SEIFA)[97], which Figure 2 demonstrates.

Figure 2: Share of students by SEIFA disadvantage level for each AQF qualification



Source: NCVER VET collection, *Students 2009*, SEIFA quintiles

Wheelahan makes the point forcefully that

> Students from disadvantaged backgrounds are over represented in lower level VET and under represented in higher level qualifications, particularly in diplomas and advanced diplomas. This matters because diplomas are the transition qualification which VET students use as the basis of admission to higher education.[98]

Indeed, evidence from Swinburne University of Technology indicates that students from low socioeconomic backgrounds who enter university studies via a VET diploma pathway achieve at the same rate as the general university cohort who enter via high school.[99] A number of recent initiatives are supporting the transition of these students to undergraduate degrees, particularly through the partnership component of the Higher Education Participation and Partnerships Program. However, 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.

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[96] 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

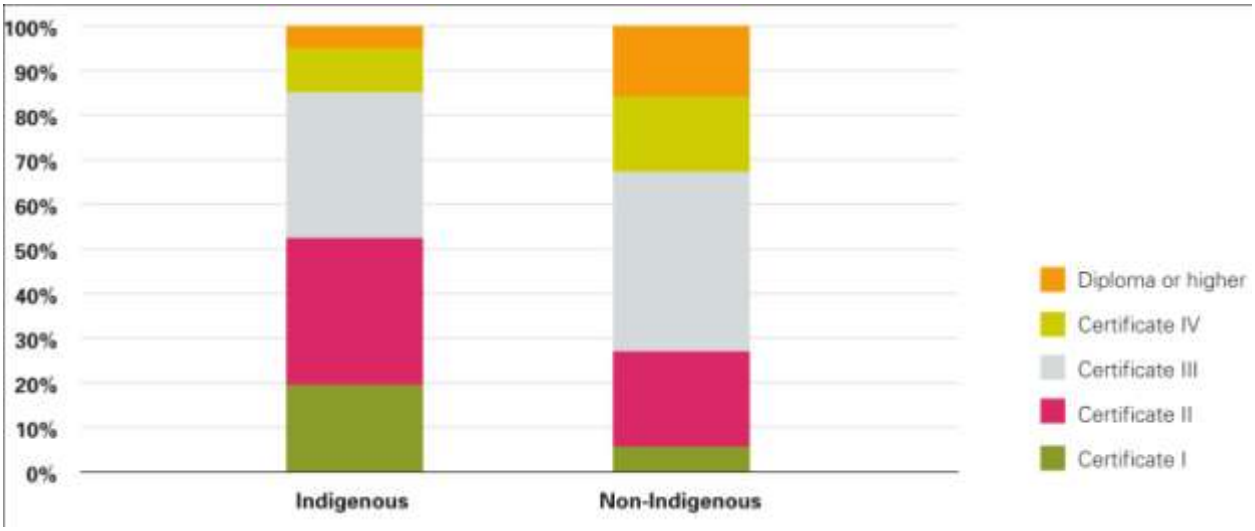
[97] Socio-Economic Indexes for Areas (SEIFA) is a product developed by the Australian Bureau of Statistics especially for those interested in the assessment of the welfare of Australian communities. The ABS has developed four indexes to allow ranking of regions/areas, providing a method of determining the level of social and economic well-being in each region

[98] Wheelahan, L (2009) 'Rethinking equity in tertiary education—why we need to think as one sector and not two', paper presented at the Social Inclusion in Education Conference, Sydney, 22–23 October, p. 1

[99] Young, I (2007) *Building better pathways to higher education*, Swinburne University of Technology

Of significance, Indigenous students are disproportionately found in lower level VET. As shown in Figure 3, over 50 per cent of Indigenous students take courses at Certificate I and II levels in comparison to 30 per cent of those who identify as non-Indigenous. Only 5.5 per cent of Indigenous students undertake qualifications at diploma level or higher, in comparison to 14.4 per cent of students who identify as non-Indigenous.

Figure 3: Indigenous and non-Indigenous student AQF qualification levels, publicly funded VET, 2009



Source: NCVER VET collection, *Students 2009*

Moreover, despite relatively high rates of participation, Indigenous students on average have lower pass rates and higher withdrawal rates than other students in publicly funded VET. About 69 per cent of subjects enrolled in by Indigenous people are successfully completed, compared with about 80 per cent for non-Indigenous people.[100] Likewise, module withdrawal rates are 17 per cent for Indigenous students and 8 per cent for non-Indigenous students.[101]

Recent research has identified essential factors for achieving successful outcomes for Indigenous students in VET, including:

- having strong vision and understanding the importance of monitoring targets
- responding to the employment market
- maintaining strong relationships with community and business
- offering job-related and culturally appropriate training
- collaborating with Indigenous leaders and the community
- providing holistic support
- ensuring strong staff commitment.[102]

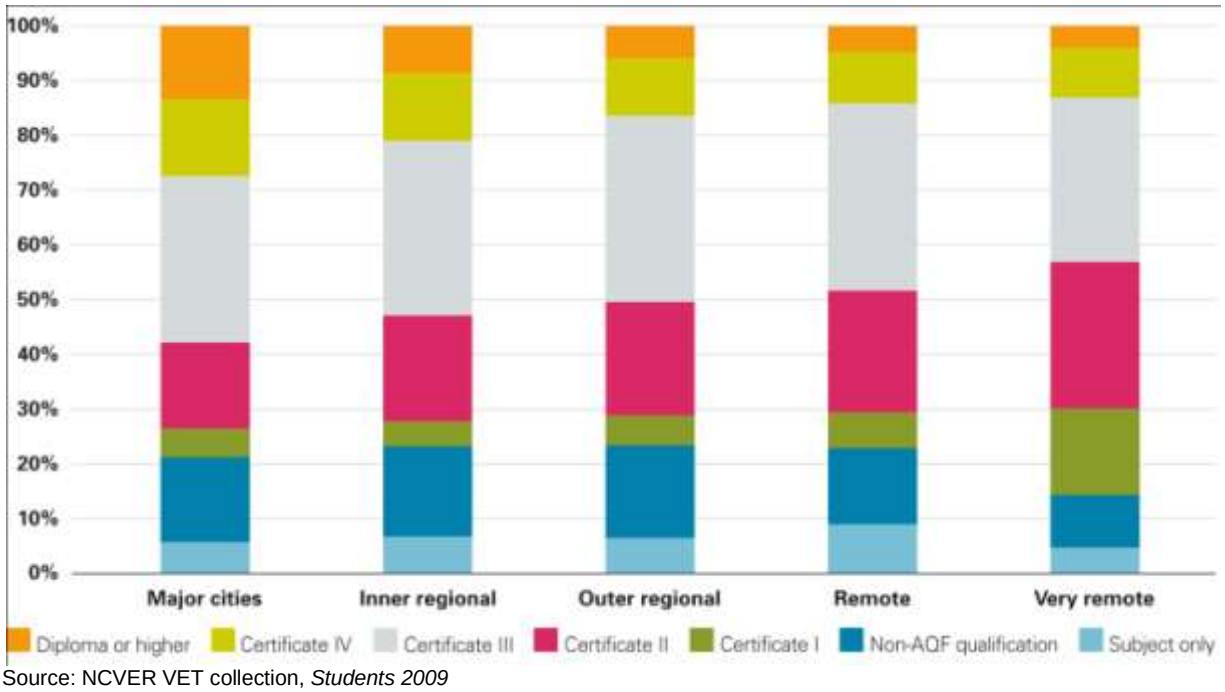
Delivering educational pathways to regional Australia

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. The qualifications being studied by VET students also suggest the sector plays a role in laying the foundations for an educational pathway in the regions. Lower level qualifications (Certificate III and below) are a feature of the qualification profile of VET

[100] DEEWR (2009) *Annual national report of the Australian vocational education and training system 2008*, p. 94, figure 58
[101] NCVER VET collection, *Subject enrolments 2009*. 'Successful completion' here includes assessed – pass, RPL – granted, RCC – granted, not assessed – completed
[102] Giddy, K, Lopez, J and Redman, A (2009) *Brokering successful Aboriginal and Torres Strait Islander employment outcomes: common themes in good-practice models*, NCVER

students especially in the outer regions and remote areas. Higher level studies of Certificate IV and above are a more marked characteristic of those enrolled in major cities.

Figure 4: Highest current qualification level being studied by students in publicly funded VET, by region, 2009



Source: NCVER VET collection, *Students 2009*

Language, literacy and numeracy are fundamental

The results for 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'.[103] 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. Individuals with higher literacy scores are more likely to be employed and more likely to earn higher incomes. Higher literacy scores are associated with higher gross domestic product per capita and also higher labour market productivity.[104] 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.

Although LLN skills have been embedded in training package-based qualifications since their inception in 1997, it is difficult to quantify and assess the success of this approach. Understanding and defining literacy is complex—clearly it is not confined to the ability to read and write. It is a moving target, often contingent on context or changing environments. A person may have sufficient verbal and written literacy for a lower or intermediate skilled job, but be challenged by the literacy demands of new tasks or responsibilities.[105] On the other hand, many people function quite effectively in the workplace and in life with low literacy.

The 2010–11 federal budget announced a number of LLN initiatives, including an expansion of workplace and other adult literacy programs, a scholarship program to encourage practitioners

[103] ABS (2008), *Adult Literacy and Life Skills Survey, Australia. Summary results*, cat. no. 4228.0 (2006 reissue), p. 5
[104] Coulombe, S, Tremblay, J and Marchand, S (2004) *Literacy scores, human capital and growth across fourteen OECD countries*, Statistics Canada
[105] Townsend, R and Waterhouse, P (2008) *Whose responsibility? Employers' views on developing their workers' literacy, numeracy and employability skills*, NCVER

to take up LLN training qualifications, and a national awareness campaign to address low LLN levels in the workforce and the stigma attached to low LLN skills.[106]

The value of teaching LLN skills in the context of a student's VET course is also being recognised.[107] Connecting LLN to a student's core VET program enables the student to address their poor LLN skills in a meaningful and relevant context. This is considered preferable to students feeling singled out and potentially stigmatised. The National Quality Council has undertaken analysis of the design aspects of training packages and how they can be improved to more effectively deliver foundation skills including language, literacy and numeracy.[108] Some Industry Skills Councils also have begun improving the position and delivery of LLN within workforce training by integrating LLN into existing units of competency—for instance, in the community services and health area.[109]

The embedding of LLN in workplace and other learning raises issues about the capability of VET trainers in identifying and delivering integrated LLN and skills programs related to workplace contexts. Skills Australia has recommended that the minimum requirements for VET practice should include the development of expertise in LLN delivery as a core component. But the new Certificate IV in Training and Education still has this as an elective unit. This discussion paper raises the question of what should be the necessary expertise for VET practitioners to improve VET's contribution to better long-term outcomes for learners.

Student income support

Disadvantaged students will not enter or remain in tertiary education if they are not able to cover their fees or living costs. Consideration is given here to income support in VET; the issue of fees is discussed further in section 2.6.

There are a variety of mechanisms that provide income support for VET students. The principal forms are for full-time students. VET students may receive Youth Allowance (students aged 16 to 24) or Austudy (25 and over) subject to meeting income and assets tests. Low-income apprentices and trainees can be eligible for Youth Allowance or Austudy. Indigenous students can be eligible for ABSTUDY or scholarships, and some receive assistance under Community Development Employment Projects (CDEP).

The provision of income support for higher education students was considered in detail in the Bradley (2008) review of higher education:

> Income support and other financial assistance are critically important to attract financially disadvantaged students into higher education and keeping them there. The nation's need for improved productivity as well as simple fairness means that we must ensure that people from this group are able to participate. Also financial support arrangements must encourage older workers to retrain or upgrade qualifications.[110]

Bradley noted the decline in the proportion of full-time higher education students receiving assistance from 41 per cent in 2001 to 33 per cent in 2007. Particular issues of concern were the parental income threshold in the means test and the conditions for achieving independence from parents to receive the full benefit.

Extensive reforms were made to student income support schemes effective from April 2010 aimed at increasing the access of low-income students to full-time education. Most of them will benefit VET students as well as higher education students. Changes include:

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[106] See DEEWR budget fact sheets, http://www.deewr.gov.au/Department/Budget/Pages/1011FactSheets.aspx
[107] http://www.deewr.gov.au/Skills/Programs/LitandNum/fstc/Pages/FoundationSkillsTasterCourseProgram.aspx#
[108] Unpublished discussion paper for TVET to support the VET products for the 21st Century project
[109] https://www.cshisc.com.au/index.php?option=com_content&task=view&id=558&Itemid=65
[110] Australian Government (2008) *Review of Australian higher education: final report*, p. 47

- an increase in the parental income test threshold from $33,300 to over $44,000
- a reduction in the age for independence from parents from age 25 to 22 by 2012
- an increase from $236 to $400 a fortnight in the amount those students can earn without reducing their benefit
- a tighter workforce participation criterion for independence, with an exemption for students from rural areas who need to relocate to study
- a Student Start-up Scholarship of $2,128 each year of their course for all university students receiving income support—but note that this is not provided to VET students.

The higher education review did not explicitly discuss the income support needs of VET students. This discussion paper seeks input on the circumstances that require particular income support among VET students compared with students in other sectors.

Analysis of the available data suggests that about a third of full-time VET students receive income support, much the same as the proportion of full-time higher education students. About 60,000 VET students were receiving income support at 30 June 2009: 42,000 on Youth Allowance, 14,000 on Austudy and 4,400 on ABSTUDY. For comparison, 152,000 higher education students were receiving support: 130,000 on Youth Allowance, 19,000 on Austudy, and 3,000 on ABSTUDY. The distribution of support partly reflects the greater participation of mature-age and Indigenous people in VET.

Because the socioeconomic background of VET students is on average considerably lower than among higher education students we might expect a higher percentage of VET students than higher education students to 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.

In general, only full-time students are eligible for income support under Youth Allowance or Austudy, but apprentices and trainees in low-income jobs have been eligible since 2005. In 2009, of the over 400,000 apprentices and trainees in training, about 5,000 received some support. There is other Commonwealth and state support for the income of apprentices and trainees including Support for Adult Australian Apprentices, living away from home and accommodation allowances, Tools for Your Trade and Apprentice Trade Bonus. These are separate from incentives to employers of apprentices and trainees provided by the Commonwealth and states.

People who are unemployed and receiving Newstart or Youth Allowance (Other)—that is those not involved in full-time study—may be able to continue to receive income support while undertaking courses including part-time, but the numbers appear to be very small. Research on 'welfare to work' suggests further review is needed of the rules for support for the unemployed in relation to student income support. Barnett and Spoehr point out that income support policy may discourage participation in training that could lead to long-term, high-quality employment and also participation in preparatory programs that enable the successful completion of accredited VET studies. They point out that the role of VET in assisting the welfare-to-work transition needs to be supported firstly by ongoing collaborative planning and policy development between the income support and VET sectors. Secondly, it requires a funding model that enables VET teaching and support staff to work with other sectors on behalf of individual students—especially those with complex needs associated with disadvantage.[111]

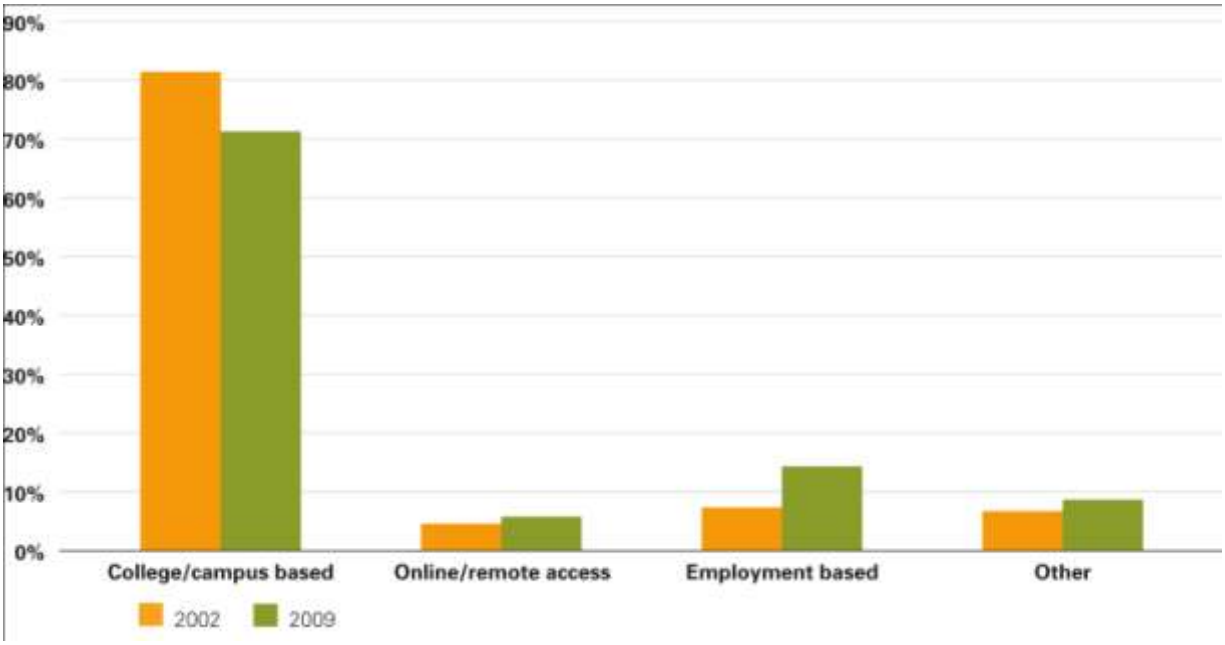
Expanding workplace delivery

Although the majority of publicly funded VET courses are still delivered in an institution setting, there has been a notable shift away from campus-based delivery in the period from 2002 to

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

2009 to other modes including an expansion in workplace/employment-based delivery. (Figure 5).

Figure 5: Changes in AQF subject delivery method, 2002–2009



Source: NCVER VET collection, *Subject enrolments 2009* (excluding recognition of prior learning)

There is, however, considerable scope to substantially increase the proportion of training delivered in the workplace. Only 14 per cent of subject delivery occurred solely in workplaces in 2009. Given the traditional connections of VET to industry and enterprise, this is strikingly low. Although it should be noted that 53 per cent of campus-based subject enrolments in 2009 include apprentices and trainees undertaking off-the-job training.

A report for the Australian Industry Group highlights the prevalence and importance of learning acquired through non-formal and informal experiences in the workplace. It also notes that this is not well recognised in current policy settings nor in official statistics of the various ways that learning occurs in the workplace.[112] The growing emphasis on workforce development and skills usage for increased productivity and innovation suggests an increasing demand for this option from firms. An important question arises about how this substantial effort might be linked to formal or accredited pathways for workers, so they can gain recognition, and take advantage of the further learning options they may have, arising from the skills they have acquired.

Despite a trend towards e-learning and workplace delivery, provision of VET programs remains a capital-intensive activity. Providers require industry-standard equipment to train readily employable students as well as large and conveniently located premises in order to get student cohorts of sufficient size to make delivery cost effective. For individuals, workplace delivery has advantages, providing opportunities to practise and apply skills in a real work environment and to have access to advice from colleagues and supervisors.

For businesses, workplace delivery is convenient, and offers cost savings. There is an advantage in being able to train staff on the equipment used in the workplace. Training can be flexibly delivered and tailored to clients' needs, and worker down-time reduced to a minimum. If provided in a supportive environment where individual workers feel that their needs are respected, workplace learning can increase worker confidence. Some employers fear that employees, once trained, will be 'poached' by other employers. However, research shows that

[112] Noonan, P (2007) *Skilling the existing workforce*, Australian Industry Group

the increased levels of confidence and satisfaction resulting from training delivered in the workplace may decrease staff turnover.[113]

OECD research indicates workplace delivery is better, even for the acquisition of 'soft skills', through interactions between learners, colleagues and customers. Workplace delivery, the OECD argues, offers stronger signals to employers about the value of the training. While this may be true for initial training such as apprenticeships and for existing-worker training, there is a need to consider the role of institutional delivery for pre-employment VET, whether for initial job seekers or more experienced career changers.[114]

Previous research into fully workplace-based learning has suggested areas for improvement, including the level of theory training, the breadth of skill base and work experience provided and the availability of pastoral care and mentoring from the training provider.[115] Also, for the 50 per cent or so of VET learners who are not currently working in their area of study, workplace delivery of training is challenging to organise.

VET qualifications for the future

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 higher levels of communicative, interactive and cognitive capabilities required in the workplace. A declining demand for motor skill is also anticipated. Lowry and others also discuss the impact of globalisation, technology, higher levels of consumer choice and an increasingly networked economy on the type of skills needed in the future:

> The future success of workers in occupations that have traditionally been characterised by a low interactive skill requirement will increasingly depend on their proficiency with functions within the interactive skill set.[116]

Training packages, with their emphasis on competency-based learning, 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.[117] 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 most occupations have a relatively weak link with specific qualifications.[118]

The National Quality Council in late 2009 announced changes to training package rules which allow registered training organisations greater flexibility in customising qualifications. Under the new rules, one-third of units can be electives and up to one-sixth of material can be imported from other training packages or accredited courses. However, Buchanan and others have criticised the narrow approach to competence in vocational education and training, suggesting it impinges on the quality of general education which is transferable across industries. They argue 'it limits students' access to forms of knowledge that facilitate autonomous reasoning—at work and beyond'.[119] It is also argued that one of the key barriers to successful student transition between VET and higher education is the pedagogical divide between the university and VET sectors.[120] It has been suggested that a change in emphasis away from specific competencies could better support integration with the higher education sector as well as provide workers with greater flexibility in their career development.

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[113] Trades Union Congress (2005) *Learning is the business: how workplace learning boosts company performance*
[114] Hoeckel et al., *Learning for jobs*
[115] Wood, S (2004) *Fully on-the-job training*, NCVER
[116] Lowry, D, Molloy, S and McGlennon, S (2008) *Future skill needs: projections and employers' views*, NCVER
[117] NCVER, *Students and courses 2009*, table 6
[118] Skills Australia, *Australian workforce futures*, p. 20
[119] Buchanan et al., *Education, work and economic renewal*
[120] Walls, S and Pardy, J (2010) *Crediting vocational education and training for learner mobility*, NCVER, p. 13

> Higher level VET qualifications do not include explicit knowledge that graduates require for the next step in their learning where this is not required for the destination occupation. This is a significant barrier to articulation. For example, VET engineering qualifications don't include the Calculus normally included in first year university engineering in preparation for second year so VET graduates have to overcome the calculus barrier before they can articulate.[121]

Work undertaken by Innovation & Business Skills Australia proposes a 'new architecture' for higher level VET qualifications that involves a hybrid of knowledge-based and competence-based units. As discussed in section 2.5 in relation to improved linkages between the VET and higher education sectors, it is argued that the new architecture should provide for the incorporation of graded assessment, together with having a stronger focus on academic skills such as critical thinking and analysis.[122] Such proposals also coincide with developments in the VET sector among providers seeking to become higher education providers.[123]

Another aspect of debate about desirable future qualifications relates to partial qualifications. Some argue that skill sets rather than whole qualifications are a preferred outcome for many students and their supporting employers. However these currently have little formal status and at best are recognised through Statements of Attainment endorsed by state accreditation bodies. In the latest review of the Australian Qualifications Framework it is clearly established that Statements of Attainment are not considered to be AQF qualifications.

The placing of the senior school leaving certificate at level III of the proposed qualification framework is challenging the relative value of the trade certificate. Given the importance of the trades in the Australian economy and the need to properly recognise the value of education and training for the trades, this is a matter of importance. In this regard the value of a full qualification, grounded in workplace learning, is a further element in the debate.

Discussion questions

1. What changes in VET products, practices, institutions, or funding need to take place to lift the level of foundation skills?

2. What aspects of VET delivery need to change? More work–based delivery; broader use of ICT; increased personalised learning, especially for disadvantaged students; integration of workplace experience; employment services? Other changes?

3. Should there be greater incentives for increasing workplace delivery of VET?

4. How can VET best deliver up to date workplace knowledge or experience, especially for campus-based learners who have limited or no knowledge of their field?

5. What strategies are required to get more students from lower socioeconomic backgrounds and other disadvantaged groups into higher-level courses?

6. How should income support or other financial support for disadvantaged students, including those with multiple disadvantage, be allocated? How should the level of funding be determined?

7. What should VET qualifications be like in 2020? Should we go down the track of broad-based skills and knowledge rather than competency-based qualifications structures?

8. What is the role of skill sets—should they be widely available, or only for those who already have a level III qualification?

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[121] Innovation & Business Skills Australia (2010) *Higher level qualifications: towards a new future*
[122] ibid.
[123] Christie, P (2010) 'Lets work in partnership', *The Australian*, 11 August

2.3 Re-engineering apprenticeships for lifelong learning

The Australian apprenticeship system grew out of the UK guilds-based training model, which has a 600-year history. Remnants of that system still exist in today's model. This does not suggest apprenticeships are a 'stagnant' feature of the VET sector. On the contrary, the last 30 years have seen quite radical modifications to how apprenticeships are established and supported by governments and employers and how training is delivered (see Appendix). Apprenticeships are considered by many as the 'jewel in the crown' of the VET system. There is very strong attachment to them as a form of entry-level training by individual employers, unions, community and governments and the training sector itself.

But this very attachment can often be the source of inflexibility when it comes to addressing reform. The future for a resilient and vibrant apprenticeship system that is fit to address global workforce challenges must lie in finding solutions to several longstanding issues. The attractiveness of apprenticeships to both young and older people is questionable. This appears to be reflected in the falling completion rates over recent times.

The apprenticeship system is complex and this can be a deterrent to its flexibility and longer term responsiveness to the changing world of work. It has a fragmented governance structure with regulation based in individual state and territory legislation. This is overlaid by an Australian Government system of marketing and employer incentives and varied state public funding eligibility arrangements.

Any discussion of Australian apprenticeships is also complicated by confusing 'branding'. There are varied labels used within the umbrella term 'Australian apprenticeships'. The terms 'apprentice' and 'trainee' are still used in many local jurisdictions, but other terms are also common. These include trade (and technician) apprentices and non-trade apprentices and trainees, and existing-worker traineeships/apprenticeships.

An important consideration for the development of the system stems from the parity of esteem attributed to apprenticeship qualifications. Increasing levels of secondary schooling completions and rising post-compulsory qualifications are changing the context and 'value' of an apprenticeship qualification. A related point is the current review of the Australian Qualifications Framework, which places both the senior secondary certificate and the trade qualification at level 3.[124]

The future prospects for trade occupations are intrinsically connected to the changing occupational and qualification structure of the Australian workforce.[125] Maintaining a resilient cohort of skilled tradespeople into the next generation will require support for lifelong learning, skills deepening and career progression.

Are apprenticeships an attractive learning pathway?

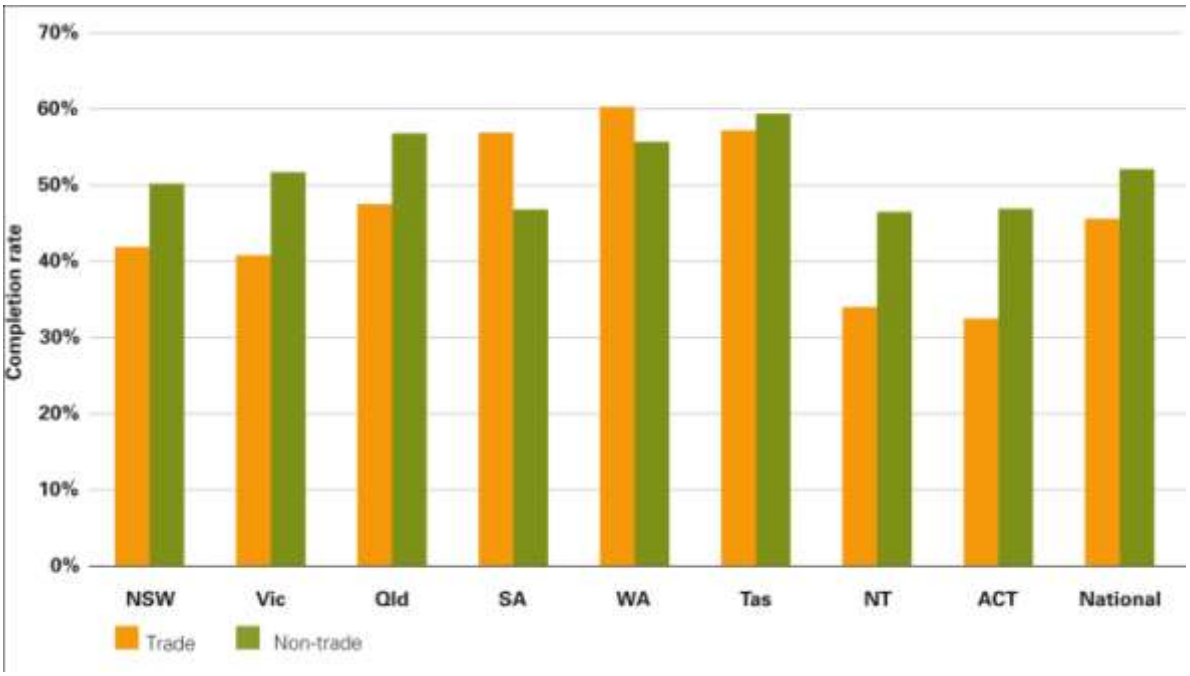
The latest figures for completion across all apprenticeships and traineeships—for the cohort who commenced in 2005—show a 50 per cent completion rate. This low figure represents wastage for learners, employers and government.

There is however considerable variation among jurisdictions (see Figure 6). For example, completion rates for those who commenced trades apprenticeships in 2005 are 60 per cent in Western Australia, but only 41 per cent in Victoria and 33 per cent in the Australia Capital Territory. Some states and territories have introduced policies aimed at 'fast tracking' trades apprentices to meet demand, and there is some evidence of accelerated completions in these

[124] Australian Qualifications Council (2010) *Strengthening the AQF: a framework for Australia's qualifications*
[125] Access Economics (2009) *Economic modelling of skills demand*, report commissioned by Skills Australia

jurisdictions. In Western Australia, for example, 34 per cent of trades apprentices who commenced in 2006 had completed their training by the end of 2009, compared with 23 per cent in Victoria[126]. Across the states and territories there is less variation in general for non-trade completion rates.[127]

Figure 6: Trade and non-trade apprenticeship and traineeship completion rates by jurisdiction for the 2005 commencing cohort



Source: NCVER (2010) Apprentices and trainees 2009 annual, supporting data, state and territory tables

The bulk of apprentice and trainee attrition occurs in the first year of the contract. Approximately 32 per cent of all apprentices and trainees who commenced in 2008 withdrew within their first year, representing about three-quarters of all withdrawals.[128]
The NCVER's student outcomes survey indicates that 24 per cent of apprentices and trainees who did not continue training said it was because they had changed jobs; for 14 per cent it was because they had lost their job. Qualitative studies of non-completion of apprenticeships reveal many complexities in why apprentices drop out of training, but similar issues consistently emerge, including:

- low wages
- not liking the type of work
- problems with the workplace or employer.[129]

In particular, the need for apprentices to be supported both inside and outside of the workplace is a consistent theme of the research on apprentice and trainee attrition.[130] Apprentices engaged under conditions that include pastoral care and more personalised selection have been found, in some circumstances, to have better completion rates than other apprentices.

[126] It should be noted, however, that there are differences between the types of trade apprenticeships predominant in each state and territory, with considerable variation in the student uptake of different courses. Apprenticeship completions data may also not be directly comparable across jurisdictions due to differences in administrative arrangements, reporting lags and course/student mix.
[127] NCVER (2010) *Apprentices and trainees 2009 annual, supporting data*, state and territory tables
[128] NCVER (2010) *Apprentices and trainees 2009 annual*, tables 12 and 13
[129] Snell, D and Hart, A (2008) 'Reasons for non-completion and dissatisfaction among apprentices and trainees: a regional case study', *International Journal of Training Research*, vol. 6, no. 1, pp. 44–73; NCVER (2005) *Young people and VET options*, http://www.ncver.edu.au/research/proj/nd3102g.pdf
[130] Harris, R et al. (2001) *Factors that contribute to retention and completion rates for apprentices and trainees*, Australian National Training Authority

For the 2002 cohort of trade apprentices, completion rates were approximately three percentage points higher for those engaged with group training organisations than for the trade cohort as a whole.[131]

Are apprentices well supported?

An issue for discussion is the question of ultimate 'ownership' of responsibility for apprentice wellbeing and the quality of the apprenticeship experience. At present, this is dispersed among the Australian Government, state and territory government authorities, the training provider and the employer (or group training company). The nature of the support role tends to focus on the contractual or regulatory compliance of all the parties involved.

A study of the support provided for apprentices and trainees in training suggests there are contradictory views, and not very clear understanding, about the extent and nature of the support role played by Australian Apprenticeship Centres (AACs) and others.[132] The study found that many non-completers and apprentices in training felt they received little support from their AAC after commencing their apprenticeship.

This contradiction arises in part from how financial incentives for Australian Apprenticeship Centre support services are structured. The centres are paid on the basis of support visits to the employer and apprentice at six, 12 and 24 month intervals. The six month visit is to confirm that the apprentice is still employed and to identify any problems.[133] Given the high attrition rate occurring among apprentices and trainees in the first year, the structure and nature of support visits by the AACs in the early period of the contract of training may need review.

Australian Apprenticeship Centres' support roles are somewhat limited due to the legislative aspect of the contracts of training which are administered via state and territory apprenticeship regulatory authorities. For example, the NSW guidelines for AACs have a section titled 'support for employers and learners during the training contract' which provides for support in administrative actions. It refers all 'serious' issues that would require support—such as workplace disputes, harassment or training quality—to the NSW Government's State Training Centre.[134]

A particular feature of Australia's apprenticeship system is its group training providers, who employ just over 12 per cent of trades and technician apprentices.[135] Established in the 1980s as a method of safeguarding apprentice completions through the economic cycle,[136] these organisations—many of which are not-for-profit—employ apprentices, organise their training, and place them with a host employer. This model provides continuity of employment for apprentices and allows businesses to get value from the services of an apprentice without the need to commit to a four-year contract.

A recent study commissioned by Group Training Australia on the future of group training organisations, comments on the impacts of changing labour market and business environments on their member organisations over the last decade. A number of group training providers now also operate AACs, as well as being registered training organisations.[137] The report describes the loss of market share of group training companies over the last decade and concludes that there are some rigidities in their model and the effectiveness of some types of operations. It raises questions about the ongoing viability of certain group training service models.[138]

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[131] NCVER, *Apprentices and trainees 2007*, data provided to Group Training Australia
[132] Snell and Hart, op. cit.
[133] http://www.australianapprenticeships.gov.au/whatsnew/NASS_Tender_Q_A.asp
[134] NSW Department of Education and Training (2009) *Information for Australian Apprenticeship Centres*, December
[135] NCVER (2010) *Apprentices and trainees 2009, December quarter*
[136] MEGT Australia, *What is group training?*, http://www.megt.com.au/JobSeekers/GroupTraining/Pages/WhatisGroupTraining.aspx
[137] Australian Apprenticeships Training Information Service, 'Key organisations—Summary', February 2010
[138] National institute of Economic and Industry Research (2010) *Looking ahead: the future for group training an economic and industry analysis*, Group Training Australia

Complexity and variability in governance

The shared intergovernmental responsibility for governance of apprenticeships has arguably given rise to problems in forming a coherent vision and strategic direction for their development. Despite a national framework of employer incentives, the establishment of AACs and development of nationally recognised qualifications underpinned by training packages, it has long been recognised that there is variation in their administration across the states and territories.[139] Added to this is the multi-faceted and potentially confusing array of policy and funding incentives aimed at apprentices and their employers at both state/territory and national levels.[140]

'Traditional' apprenticeships generally take around four years to complete and traineeships take two years or less. While competency based training was introduced in the late 1980s more work needs to be done in implementing this approach. There also is considerable variety in the way apprenticeships and traineeships are offered and provided, and in their nominal durations, between different jurisdictions. This may be due to state and territory training authorities responding to the needs of local industry.

For example, a Certificate IV in Electrical – Air-conditioning Split Systems – UEE40507 can be taken as an apprenticeship in Victoria, South Australia, Tasmania and the Northern Territory, but not in New South Wales, Queensland, Western Australia or the ACT. Furthermore, nominal durations vary significantly (from 12 months to 48 months) between the states and territory that do offer it as an apprenticeship.[141]

This inconsistency provides difficulties in movement between jurisdictions for individuals, as well as complexities for national employers wishing to put apprentices through the same program in different jurisdictions.

Barriers to cross-jurisdictional training

An employer has mapped a training pathway for staff from an entry-level Certificate II qualification to a manager-level Certificate IV qualification. In the case of the automotive industry, if the employer wishes the employee to commence on Certificate II Automotive Administration, progress to Certificate III Automotive Administration and finish with a Certificate IV Automotive Management, it cannot be attained through the Australian apprenticeship pathway in all states as the qualification is not available in Queensland and Tasmania at the Certificate II level, not available in Queensland, Tasmania and Western Australia at the Certificate III level and only available in South Australia and Tasmania at the Certificate IV level.[142]

In relation to the trades, COAG has agreed to develop a national occupational licensing system that will remove licensing inconsistencies across state and territory borders. This will result in a single national regime for granting and maintenance of licences for selected occupations from July 2012.[143] However, this national regime will further highlight variation in apprenticeship durations and availability between jurisdictions. The move to a national industrial award system has also thrown up issues of inconsistencies across states and territories in terms of industrial regulation of apprenticeships and traineeships.

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[139] Dumbrell, T, Finnegan, W and De Montfort, R (2001) *Locational issues in new apprenticeships*, Australian National Training Authority

[140] See summary of Australian Government incentives at http://www.australianapprenticeships.gov.au/about/publications.asp

[141] Australian Apprenticeships Job Pathways, http://www.aajobpathways.com.au, accessed 30 June 2010

[142] From case studies provided by MEGT Australia

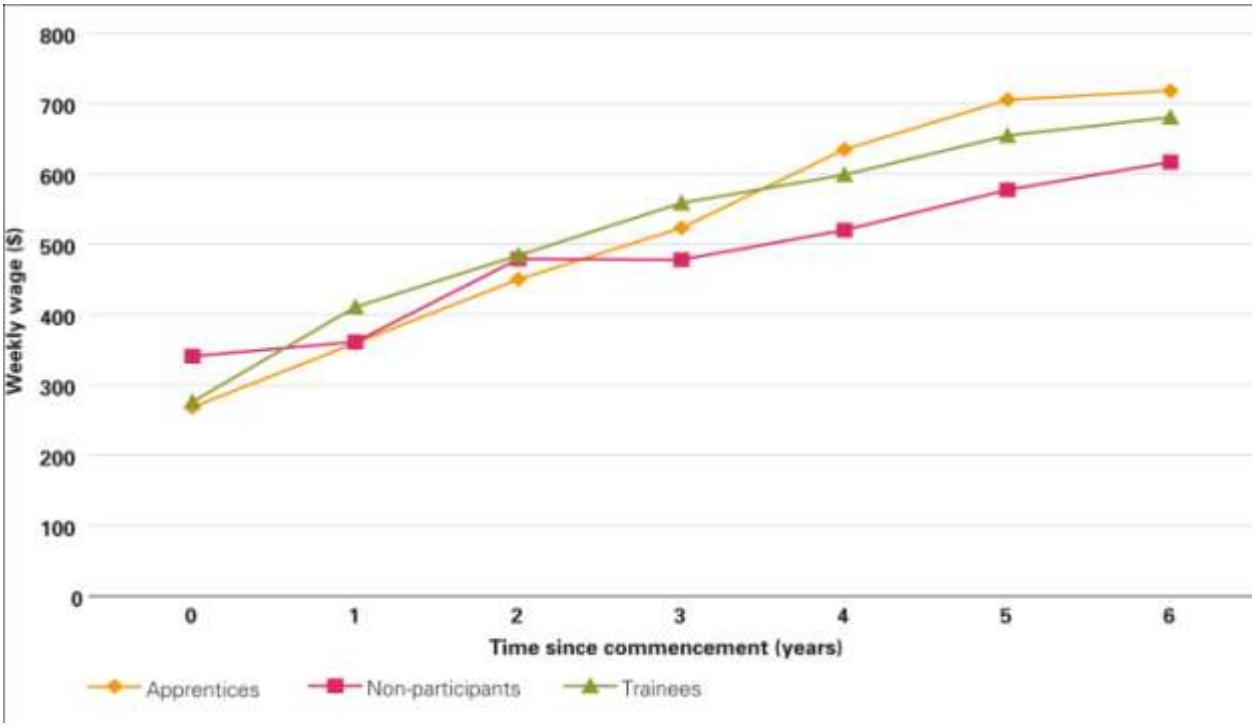
[143] National Occupational Licensing System, https://www.govdex.gov.au/confluence/display/COAGNL/Home, accessed 8 July 2010

The attractiveness of traineeships?

Traineeships can provide pathways to qualifications for people who may not want to undertake an institution-based qualification.[144] Because they are shorter than apprenticeships, they can also appeal to those who do not want to commit to a four-year training contract. School leavers and people returning to the workforce report that a traineeship can be less intimidating than immediate exposure to the demands of a full-time job.[145]

A number of studies have demonstrated the positive labour market effects provided by traineeships. The Melbourne Institute of Applied Economic and Social Research analysed wage outcomes from the Longitudinal Surveys of Australian Youth for those who participated in an apprenticeship or a traineeship, and compared them against individuals with similar characteristics who did not undertake an apprenticeship or traineeship.[146] The findings showed that the average weekly earnings return to young people who undertook traineeships was significantly higher than for non-participants, from the third year after commencement (Figure 7).

Figure 7: Average weekly earnings for apprentices, trainees and non-participants



Source: Fok, YK and Tseng, Y (2009) *Wage transitions of apprentices*, Melbourne Institute of Applied Economic and Social Research

This supports previous work which found that those who participated in a traineeship in their transition from school to work were much less likely to be unemployed at age 21 and received wages about 6 per cent higher than those who did no further education after school.[147]

Cully, however, cites research suggesting that on balance there is 'virtually no evidence' that completion of a traineeship leads to higher wages. However, it should be noted the research combines the wage effect for both older and younger age cohorts. He also suggests that learning on the job is an efficient mechanism for acquisition of skills required for traineeship

[144] Smith, E (2008) *What do senior figures in Australian VET think about traineeships?*, AVETRA, http://www.avetra.org.au/AVETRA%20WORK%2011.04.08/CS2.1%20-%20Erica%20Smith.pdf, accessed 23 June 2010
[145] ibid.
[146] Fok, YK and Tseng, Y (2009) *Wage transitions of apprentices*, Melbourne Institute of Applied Economic and Social Research
[147] Dockery, AM, Koshy, P and Stromback, T (2005) *From school to work: the role of traineeships*, NCVER, p. 26

occupations, and that there is ineffective utilisation of the additional skills imparted by a traineeship.[148]

Existing-worker traineeships and apprenticeships

The opening up of traineeships to all age groups and the introduction of existing-worker traineeships in 1999[149] has generated some debate about the mixed focus of apprenticeships on both young people entering the workforce and more mature workers. Recent policy discussions on skills use and workforce development also highlight the need for diverse interventions in workplaces in addition to training if they are to be more productive.

It has also prompted debate about whether existing-worker traineeships result in government simply funding training that would have been funded by the employer.[150] Could such government funding seed broader workforce development activities in workplaces where a concerted strategy is in place? Noonan et al. argue that existing-worker traineeships are not being used for the purpose traineeships were intended for—to support youth transitions into skilled employment. They also question the use of employer incentives as a wage subsidy, rather than to meet the costs of training.[151] In 2009-2010, more than $950 million was available for the support of apprentices and trainees. Noonan estimates that between $100 and $200 million of this is utilised on employer incentives for existing worker traineeships.[152] There is some question, then, as to the return on government investment for this type of training. On the other hand, government funding for existing-worker training is seen as a stimulant to further training within enterprises. It has been viewed as a 'critical factor in the initial implementation of nationally recognised training for existing workers' and becomes less critical as the benefits to training become apparent and a training culture takes hold within enterprises.[153]

Pre-apprenticeships

Pre-apprenticeships aim to prepare a learner to become an apprentice with realistic industry knowledge and expectations. They provide a useful means of entry for those who cannot initially secure an apprenticeship contract. Research has found that employers are 'very much in favour' of pre-apprenticeships, but that further study is required to determine if completion of pre-apprenticeships leads to improved apprenticeship completion rates.[154] Industry groups have highlighted the importance of relevant industry experience and the value of linking pre-apprenticeships directly to an apprenticeship, in providing the core skills required to successfully complete an apprenticeship.[155] It is therefore very important that pre-apprenticeships include a useful amount of workplace experience so that learners can appreciate the conditions in which they will be expected to perform.

Unlike apprenticeships, pre-apprenticeships do not involve a contract with an employer and are focused on institution-based learning, often with a work placement component. They are available in various industries to various extents in different states and territories.[156]

A key study of pre-apprenticeships highlighted clear differences between industry sectors in the role and content of pre-apprenticeships. For example, 90 per cent of engineering pre-apprenticeships included work placement, whereas a work placement only featured for 24 per

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[148] Cully, M (2008) *Youth wages, training wages and productivity: the economic anatomy of traineeships*, Australian Fair Pay Commission Minimum Wage Research Forum: 2008
[149] Mawer, G and Jackson, E (2005) *Training of existing workers: issues, incentives and models—support document*, NCVER
[150] Smith, *What do senior figures in Australian VET think about traineeships?*
[151] Noonan et al., *Investment in VET*
[152] ibid. p. 6
[153] Dumbrell, T and Smith, E (2007) *Pre-apprenticeship in three key trades*, NCVER
[154] ibid.
[155] ACCI (2009) Submission to Australian Apprentices Taskforce, http://www.acci.asn.au/text_files/submissions/2009/Australian%20Apprenticeship%20Taskforce%20-%20Final.pdf
[156] Dumbrell, T (2003) *Pathways to apprenticeships*, NCVER

cent of electro-technology pre-apprenticeships.[157] Some pre-apprenticeships are seen as a direct pathway to an apprenticeship, while others are seen as a general method of engagement.

Australian school-based apprenticeships

Australian 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. Although their numbers have increased in recent years, they represent just over 6 per cent of all apprenticeship commencements in 2009.[158] Commencements in school-based apprenticeships have grown rapidly in recent years, up from 6,100 in 2002 to 20,900 in 2008. However, 2009 saw a decline to 16,700 commencements,[159] presumably as a result of the economic downturn. Approximately 28 per cent of the commencements in 2009 were in the trades, which is a similar proportion to those in trades in all other apprenticeships. Queensland and Victoria have the majority—over 82 per cent—of all apprentices and trainees in schools.[160] Overall, training packages developed by Service Skills Australia, represent almost half of all school-based apprenticeships.[161] A quarter of students in school-based apprenticeships are taking qualifications in the retail services training package.

Brisbane Water Secondary College

Brisbane Water Secondary College is a member of the Central Coast's Centres for Industry Training Excellence—an initiative to meet new demands arising from the older school-leaving age. It offers school-based apprenticeships and traineeships in health services, commercial cookery, construction, entertainment, sports coaching and information technology. Students in the program undertake structured on-the-job training one or two days a week, and also undertake formal education and training studying towards a high school certificate and trade certificate. Trade training is delivered by qualified teachers, with further involvement by TAFE staff where appropriate. The school has created a Vocational Education Academy, reclassifying executive positions to include a Head Teacher VET position. In 2009, a purpose-built nursing and allied health facility was built at the college. Students who complete this course have the option of continuing their studies through TAFE or through university to obtain an Enrolled Nurse or Registered Nurse qualification.

School-based apprenticeships include structured workplace learning, with students generally spending one day a week in the workplace. However, there is 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). They are often seen 'at best as a pre-employment training program'.[162]

Like other Australian apprenticeships, completion rates for school-based apprenticeships appear low. According to the National Centre for Vocational Education Research, 47.8 per cent of school-based contracts at the Certificate I and II level are completed and 41.8 per cent of school-based contracts at the Certificate III and above level are completed. Completion rates are lowest in the trades.[163] While these completion rates appear low, school-based apprenticeships leading towards Certificate III or IV qualifications can take up to three or four years to complete and therefore may require further study and work after Year 12.[164] If a student

[157] Dumbrell and Smith, op. cit.
[158] NCVER (2010) *Apprentices and trainees 2009 annual*
[159] ibid.
[160] NCVER (2010) *VET in Schools 2008*
[161] ibid.
[162] Choy, S, Bowman, K, Billett, S, Wignall, L and Haukka, S (2008) *Effective models of employment-based training*, NCVER, p. 17
[163] Karmel et al., *Is VET vocational?*
[164] Australian Government (2010) *Fact sheet 11: About Australian school-based apprenticeships*, http://www.australianapprenticeships.gov.au/documents/FS11_ASBA.pdf

has not completed their apprenticeship upon finishing Year 12, but goes on to complete it post-school, their completion will not be recorded as a school-based apprenticeship completion. Completion rates are therefore probably much higher than recorded.

Revitalising the apprenticeship model

The recent economic downturn caused national concern about the impact on apprenticeship commencements and retention. The Australian Government established a taskforce to address these concerns in 2009 and COAG adopted its recommendations (see Appendix). Pressures on the system are not confined to the swings in the economic cycle. Changes in work organisation and the growth of knowledge-intensive work will continue to influence workplaces of the future and the types of skills required of trades and technical occupations. New developments in the Australian tertiary sector and introduction of an entitlement to a learning place in higher education may also draw possible apprenticeship candidates away and put the system under further pressure. An expert panel to develop apprenticeships for the 21st century has been appointed by the Australian Government to advise on reform options to strengthen the apprenticeship system.[165] Anticipated work by Fair Work Australia is expected to review apprentice and trainee wages and conditions. The outcomes of this work will also have a bearing on both the barriers and incentives to skill formation that arise from the employment regulation of apprentices and trainees.[166]

Skills Australia proposes the following areas as essential reforms for revitalisation of the apprenticeship system and making it an attractive option for a vocational outcome.

Quality and flexibility

Previous reforms in the apprenticeship and traineeship system have been heavily focused on *growth* of the system—that is, diversifying the range of products (traineeships, school-based apprenticeships, existing-worker apprenticeships etc.) and incentives to encourage as broad a range of candidates and employers as possible to take up the opportunity of structured workplace training. To a great extent this approach has boosted numbers and can be considered successful. But low retention and completion rates belie the achievement. A deeper analysis of the quality of the learner–employer engagement and the nature of workplace learning is needed as a core feature of the next wave of the system's development. National models of best practice need to be widely promoted.

In addition, more flexible models of learning will be required. In Australia, apprentices usually undertake a day release for campus-based training. If a more extended learning and qualifications pathway is adopted (see the section below on a revised qualification structure and career pathway for apprenticeships), then various models of work-based and campus-based learning will need to evolve to embrace this.

Shifting from a regulatory to a learner-centred culture

The apprenticeship system is heavily framed by a range of legislative, industrial and administrative controls designed in the main to protect the interests of employees and employers. Occupational licensing requirements are another element in the mix. Support for the apprenticeship system involves a broad cross-section of parties operating at national, state/territory and regional levels. It consists of a range of layers and administrative interrelationships that are not transparent or easily navigated by users of the system. These layers arguably weight the apprenticeship system towards a regulatory and bureaucratic culture. Yet, the hallmark of successful programs appears to be their focus on more intensive support and direct mentoring of individual apprentices and trainees. Is there a case for shifting the emphasis

[165] Minister's media release, http://www.deewr.gov.au/Ministers/Crean/Media/Releases/Pages/Article_100716_172714.aspx
[166] Fair Work Australia, Annual wage review 2010- 2011 http://www.fwa.gov.au/index.cfm?pagename=wagereview2011&page=introduction

of existing Commonwealth and state/territory programs and administration to ensure that they are more directly focused on support, mentoring, retention and completions of apprenticeships and traineeships? The role of group training companies and AACs also will need to be evaluated for their success in this regard.

Overcoming fragmented leadership

States and territories each have legislative responsibility for the regulation of apprenticeships and traineeships. The system is characterised by complexity and inconsistency. Added to this, industry partners also have requirements and demands of the apprenticeship system that influence its varied directions at national and state levels. This regional diversity may be a positive attribute. On the other hand, there is no agreed forum for concerted leadership, simplification, promotion of best practice and setting of a strategic vision for the system's future development.

Competency-based progression

Although implementation of competency-based progression and completion has been agreed nationally at a policy level, the Australian Apprenticeship Taskforce found that there are still blockages to its implementation: 'completion of an apprenticeship or progression within an apprenticeship is still rooted in the notion of time-served rather than competency based'.[167] There has, however, been some improvement. Trades apprenticeships take less time to complete than 10 years ago, and over 28 per cent of those who complete did so within two years or less in 2009, compared with 21 per cent in 1999.[168] The recent budget announcement of funding to promote competency-based apprenticeships may result in faster completions and higher completion rates for trades apprentices. However, workplace culture may be a difficult barrier to shift.

A further area to be considered as part of the renewal of the apprenticeship system and discussed below, relates to the need for a lifelong career and qualification ladder for apprentices and trainees.

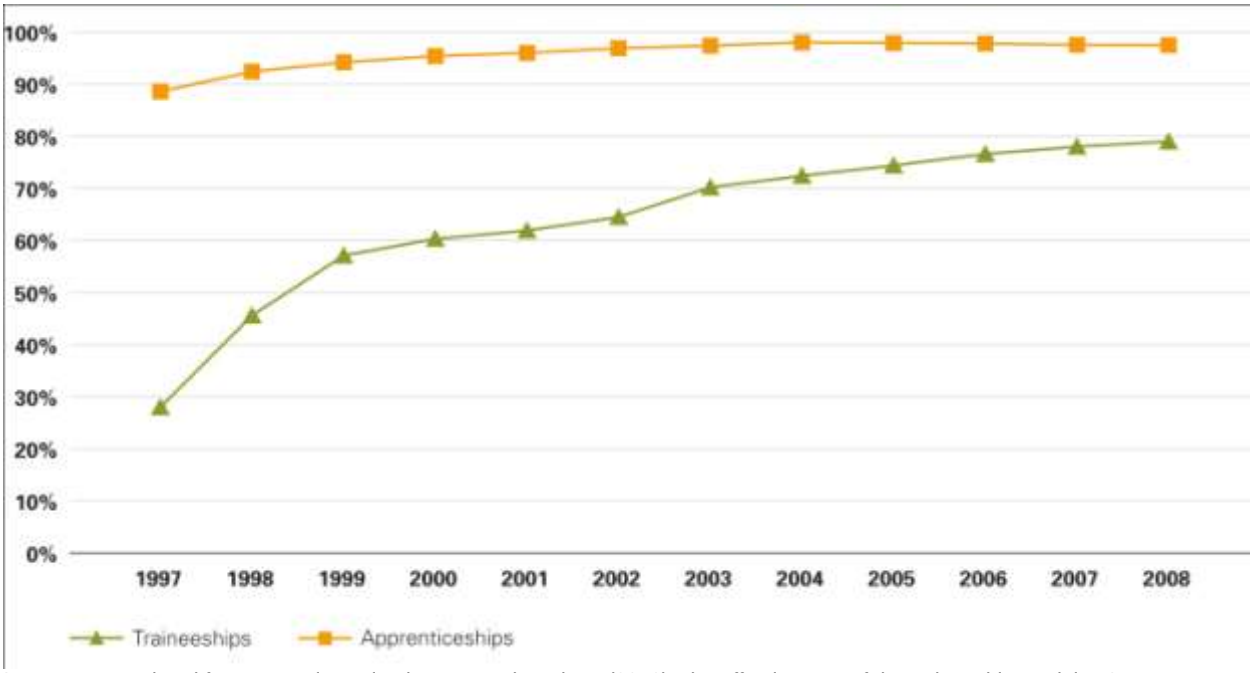
Developing a career pathway—a new apprenticeship structure?

Employer incentives appear to have been a very strong driver in the emerging qualification profile of apprentices and trainees over the last 15 years. At various times they have consisted of start up or commencement payments, progression payments and completion payments. Incentives have been an important factor in subsidising wages of traineeships.[169] Depending on the circumstances, the subsidy could amount to over 20 per cent of the wage bill for trainees.[170]

There have been several significant changes such as the removal of completion incentives for Certificates I and II, reduced commencement incentives for Certificate II in 1998 and the introduction of larger completion incentives for Certificate III and IV in 2003. The latter developments are believed to have encouraged the shift in qualification level in traineeships from Certificate II to Certificates III and IV.[171] Traineeship commencements at Certificates III and IV have risen from around 30 to 80 per cent of commencements over the 11 years to 2008 (Figure 8).

[167] TAFE association submission to the Australian Apprenticeship Taskforce, p. 16
[168] NCVER, *Apprentices and trainees 2009 annual*
[169] Cully, M (2008) 'Doing the maths: Why traineeships proliferate in low paying jobs', *Campus Review*, 24 November
[170] Cully, *Youth wages, training wages and productivity*
[171] Burke, G, Ferrier, F and Shah, C (2006) *Impact of specific policies on demand for publicly funded VET*, report submitted to the Department of Education, Science and Training, pp. 29–30

Figure 8: Percentage of apprenticeship and traineeship commencements at Certificates III and IV, 1997 to 2008



Source: Extrapolated from Karmel, T, Blomberg, D and Vnuk, M (2010) *The effectiveness of the traineeship model*, NCVER, Adelaide

This results in the same qualification level and incentives being awarded for non-trade traineeships that take two years or less to complete as for trade apprenticeships with a nominal duration of four years. It might be argued that the public risk factor associated with many trades means that trades apprenticeships merit a higher level of recognition. Gender considerations also need to be factored into this debate, as many Certificate III traineeship qualifications are now available in predominantly female occupations which were formerly not credentialed.

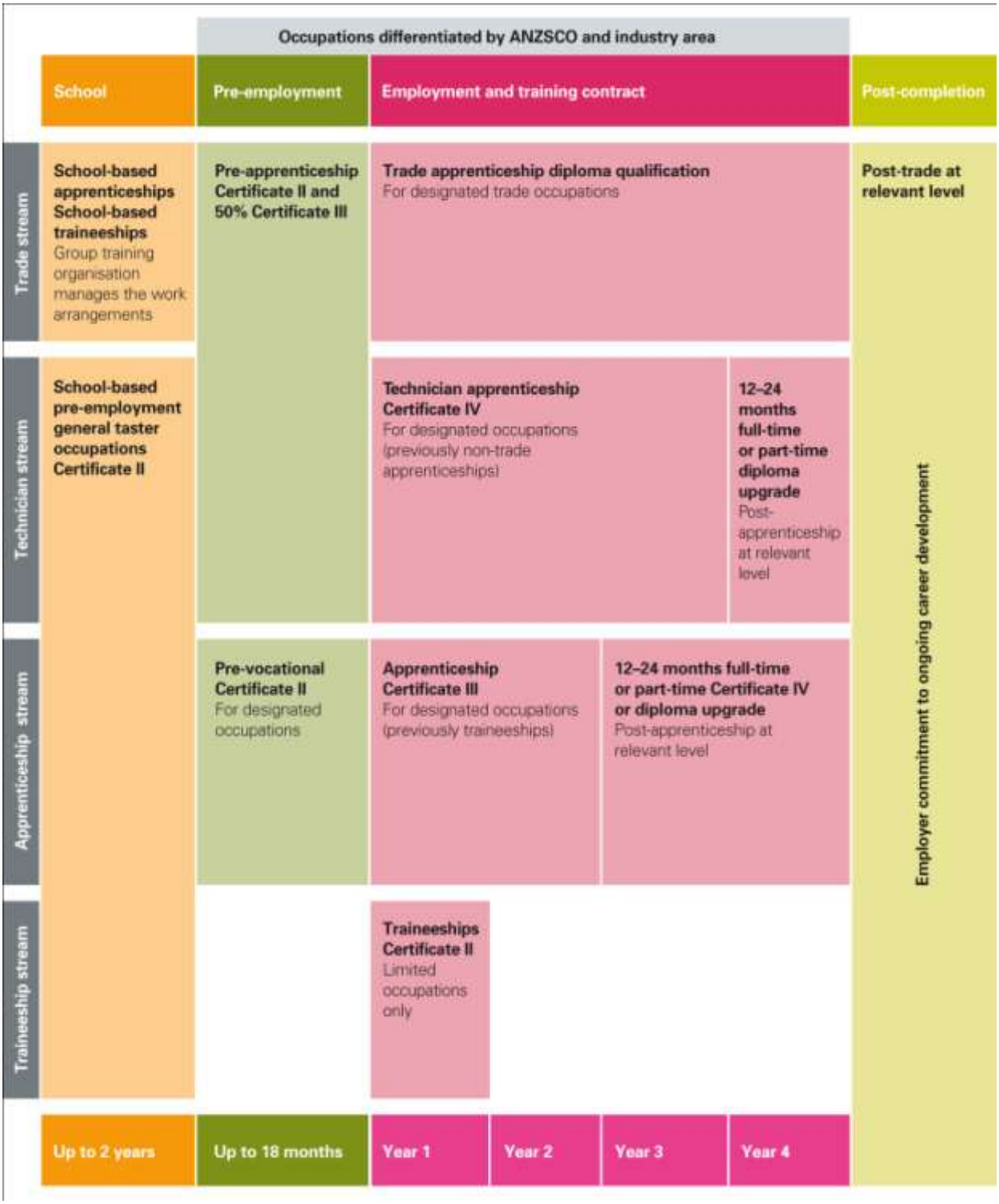
In work commissioned by Skills Australia, BCP Consulting produced a revised structure for the apprenticeship qualification model (Figure 9). The approach proposes the unpacking of the 'Australian apprenticeships' model and establishment of four distinct contracts of employment and training with competency-based progression:

- trade apprenticeships taken over a four-year nominal duration at a diploma level
- technician apprenticeships taken over a three-year nominal duration at Certificate IV with an extra year post-apprenticeship component to advance to diploma level
- apprenticeships over a two-year period at Certificate III level for designated occupations which were previously traineeships
- a new class of traineeships to provide further expansion in work-based training opportunities in occupations where no such pathway is currently available.

An additional feature of the model is a pre-employment pathway for those who may have left school and are undertaking either Certificate II or III pre-apprenticeships in VET institutions involving campus-based and workplace learning, but who are not engaged in a contract of training.

A key aspect of the model is that it also promotes the importance of lifelong learning and career progression post-completion. This is crucial for both workforce development and promoting apprenticeships to young people as a viable pathway to rewarding specialised occupations beyond the initial apprenticeship outcome.

Figure 9: Proposed apprenticeship structure, BCP Consulting



Discussion questions

1. What reforms to the apprenticeship system are needed to make it more attractive to both individuals and employers?
2. What is the best way to raise low apprenticeship completion rates? How are some states and territories achieving much higher completion rates than others?
3. How can the support services provided by Australian Apprenticeship Centres, Group Training Organisations and state regulators of apprentices and trainees be better co-ordinated to provide a 'seamless' service for apprentices and employers?
4. What improvements or alternatives to existing-worker traineeships could be considered to support the training of employees in the workplace?
5. How effective are pre-apprenticeships?
6. How can school-based apprenticeships be made more effective?
7. What is the best way to get a more simplified and strategic national approach to the leadership and development of the apprenticeship system?
8. What is your view of the diversified qualification pathways for apprenticeships suggested in Figure 9 and is it appropriate to addressing the skills required by apprentices and trainees?

2.4 Shifting the quality focus—promoting public confidence, excellence and value

Recent media reports on the poor experiences of some international students have put the spotlight on the quality of the entire Australian VET sector. There are undoubtedly many exemplary VET providers across public, private, community and enterprise-based registered training organisations (RTOs). However, change is needed to drive excellence and restore confidence in the quality of VET. This will require greater transparency, better consumer information, robust assessment practices and well-designed performance measurement across the whole VET sector.

Industry representatives have emphasised that the quality of training received by students is one of the most important foundations for Australia's future prosperity. Public consultations convened by Skills Australia have frequently highlighted system quality as a deep-seated concern. Among industry stakeholders there is concerted opinion that industry, educational institutions and governments must accelerate their work together to raise VET professionalism and achieve the required level of excellence.[172] The Baird review of the legislation governing international education in Australia echoed these concerns, noting that shortcomings in quality are not limited to delivery for international students, but extend to the domestic VET market. He argues that the weaknesses exposed in quality assurance frameworks must be addressed for all VET students.[173]

Identifying and maintaining quality in the VET sector is challenging because it is large and diverse. There are over 4,800 VET providers, including schools, TAFEs, enterprises and private providers. These providers may deliver entry-level qualifications, apprenticeships and other workplace programs, as well as higher education qualifications. Courses are delivered to a wide range of clients including individuals, enterprises, industry and government. A question worth considering is whether the sector is too large, or alternatively whether regulators are adequately resourced to oversee such a significant industry.

Significant issues affecting quality in the VET sector include inconsistent regulation, variable assessment practices and insufficient transparency in the system. Narrowness in the scope of performance measures and lack of data to properly assess performance are underlying weaknesses. It is currently not possible to demonstrate the public value, or the value to employers, of the breadth of activities undertaken by the sector as a whole.

A heightened emphasis on quality also raises underpinning questions about the depth and breadth of essential professional requirements for practice as a trainer in the sector as well as mechanisms for continuous improvement.

Moving beyond compliance to quality

Skills Australia acknowledges the advice provided by TVET Australia in this section.

Weaknesses in the current regulatory arrangements are contributing to a lack of confidence in the quality of the VET system. Quality in the VET sector is currently regulated under the Australian Quality Training Framework (AQTF). The components of the AQTF include conditions and standards governing the initial and continuing registration of RTOs, quality indicators, standards for state and territory registering bodies and voluntary excellence criteria.[174]

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[172] Skills Australia (2009) *Lifting quality in training: communiqué following the second Strategic Industry Forum*, 20 November, http://www.skillsaustralia.gov.au/PDFs_RTFs/CommuniqueSIF.pdf
[173] Baird, B (2010) *Stronger, simpler, smarter ESOS: supporting international students: Review of the Education Services for Overseas Students (ESOS) Act 2000*, final report, February
[174] Commonwealth of Australia (2010) *AQTF essential conditions and standards for continuing registration*

The AQTF, however, has limited legal force as a set of guidelines and standards for registering and accrediting authorities and RTOs. There is inconsistent interpretation and auditing of the AQTF across state and territory jurisdictions and transparency in the outcomes of auditing and dealing with complaints is not required.

Recent work to strengthen the AQTF is intended to ensure financial viability and proper business management of RTOs.[175] The risk management framework, as set out in the new AQTF arrangements, aims to focus the regulatory effort on those RTOs that pose the greatest risk to quality. Despite this recent strengthening, a further aspect of a robust regulatory framework is its speed and transparency of actions. There is still very limited public disclosure of the outcomes of regulatory effort. Skills Australia has argued that the capacity of the system to quickly detect poor performers, apply sanctions and supply easily understood information to the public about this is important for the health of the system.[176]

Model clauses have been developed to promote consistency in the implementation of the AQTF across jurisdictions. However, differences persist in how the standards are enforced and reported. Recent work by TVET Australia identifies these differences and suggests that the AQTF itself should be legislated to provide additional legal force as well as national consistency.[177] The new national VET regulator, due to be established in 2011, will no doubt consider this option. Victoria and Western Australia (the only jurisdictions not referring their powers to the national regulator) will continue to be responsible for the Australian students of RTOs operating within their states and will enact legislation that is parallel to that of the Commonwealth.

An issue for consideration is the extent to which registration and accreditation fees—which vary quite substantially from state to state—provide for a robust regulatory system and a sufficient level of audit of VET provision. This paper seeks comment on whether current fee levels are appropriate for effective regulation. A further question is whether RTO registration and CRICOS approval fee levels are a factor in discouraging poor-quality operators from entering the market.

Effective delivery and assessment of training is a key focus of regulation. The mechanism for this regulation is the auditing and monitoring of providers. Concerns about the consistency of these processes have been raised, testing the confidence stakeholders have in VET qualifications. Consultations held by the National Quality Council (NQC) indicate inconsistency in the way audits are conducted.[178] Providers reported that regulatory audit and monitoring teams demonstrated inconsistent expertise in assessment and limited knowledge of the relevant industry and training package. It was also pointed out that innovative assessment practices were hampered by the auditing 'compliance culture' and that inconsistent advice was provided on assessment matters.

Another concern often raised by providers is the sheer number of audits they are required to complete. Recent research by Black and Reich identifies an increasing emphasis on a paper trail of bureaucracy. Black and Reich's list includes financial management audits, RPL targets, ASH targets, AQTF audits, ITSE audits, ISO audits, internal audits and ICChecklists.[179] Are we seeing an increasing level of bureaucracy without a corresponding lift in quality?

Building confidence in assessment

Confidence in VET qualifications will be undermined if assessment practices are weak and lack independent scrutiny. Concerns have been raised about the variation in assessment practices across the VET system and between qualifications.[180] The NQC has established a Quality of

[175] ibid.
[176] Skills Australia, *Foundations for the future* p. 62
[177] TVET, advice to Skills Australia, July 2010
[178] NQC (2008) *Issues and options paper on the quality of assessment practices*, p. 7
[179] Black, S and Reich, A (2010) 'The elephant in the room: audit culture and TAFE teachers', AVETRA 13th Annual Conference, 8–9 April, http://avetra.org.au/wp-content/uploads/2010/04/21.00-Stephen-Black.pdf, accessed 10 August 2010
[180] NQC (2008) *Investigation into industry expectations of vocational education and training assessment*, p. 5

Assessment Action Group to develop strategies to improve the quality of assessment practices within the VET sector. It has produced two reports recommending firstly the improvement of assessment expertise and secondly, the improvement of the currency, maintenance and accessibility of the national stock of assessment materials.[181]

In its review of VET in Australia, the OECD noted the challenges created by wide variations in assessment practices.[182]

NQC research has identified the key elements of this issue:

- the understanding industry, employers, learners and VET practitioners have of what it means to be 'competent'
- the calibre of the RTO
- the currency of the assessors' industry knowledge
- whether the assessor took a 'tick and flick' approach or whether they used a variety of evidence-gathering techniques.[183]

At the core of the VET qualifications system is the training package. The NQC, the OECD study *Learning for jobs*, and industry consultations, all indicate that training packages need to provide stronger advice and clarity about the required conditions of assessment. Industry too, is concerned about unclear assessment conditions in training packages, especially in relation to institution-based programs.[184] Recent work by the NQC has focused on addressing these concerns.[185] Identifying the best way to improve assessment practices is critical to achieving better quality and higher levels of confidence in Australian VET.

Another issue that has affected confidence in the quality of VET qualifications is assessment moderation. Moderation processes need to be implemented in a way that ensures independent scrutiny and consistency across RTOs, industries and jurisdictions. The AQTF Essential Standards for Registration Elements 1.2 and 2.4 address in part the issues in assessment and the ways industry connects to the teaching, learning and assessment processes. Yet, a lack of confidence in assessment remains and the need for external moderation is being canvassed.

New Zealand's national external moderation system is often cited as good practice as it underpins quality assessment with its principles of best practice moderation. New Zealand has 39 industry-owned industry training organisations, which are required to develop, administer and review a system to moderate assessment by accredited organisations. The moderation is a collaborative process which enables variance of assessment decisions from the national standard to be detected.[186]

In Australia, stakeholder support for improving the quality of provider assessments and outcomes through external moderation was demonstrated at the Strategic Industry Forum convened in 2009. The communiqué from the forum, issued on behalf of Industry Skills Council chairs, peak body representatives, state training authority chairs and Skills Australia, states that consideration should be given to ensuring quality through a national system of moderation with industry input.[187] Building an industry role in moderation would require sufficient resources, and care would need to be taken to avoid any potential conflicts of interest, for example in relation to the funding of programs.

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[181] NQC, *Quality of assessment practices*, Stage 1 report part A, May 2009 and Stage 2 report, September 2009 at http://www.nqc.tvetaustralia.com.au/nqc_publications
[182] Hoeckel et al., *Learning for jobs*, p. 13
[183] NQC (2008) *Investigation into industry expectations*
[184] NQC (2009) *Quality assessment practices—Stage 1 report*, p. 7
[185] NQC, *VET products for the 21st century*
[186] New Zealand Motor Industry Training Organisation (2008) *Manual for secondary and tertiary education organisations—National external moderation system*, p. 7
[187] Skills Australia, *Lifting quality in training*

The AQTF could be amended to make assessment moderation and validation compulsory. This requirement could be overseen through the establishment of a formal assessment moderation/validation body that is part of the national regulator.

Restoring VET's reputation in international education

Concerns over the growth of poor-quality and, in some cases, improper provision to international students have shaken the market for VET delivery to overseas students. The Baird report set out the issues facing the sector and made a number of recommendations along two central themes:

- ensuring students are better supported through improved information, management of education agents, stronger consumer protection mechanisms and enhanced support to study and live in Australia, including having somewhere to go when problems arise
- improving regulation of Australia's international education sector and finding ways to make the legislative underpinning of the training market stronger, simpler and smarter to ensure Australia maintains its reputation as a high-quality study destination.[188]

The Australian Government has responded to the Baird report by introducing proposed changes to the legislation underpinning the industry. There are a number of initiatives underway to address the questions of quality and regulation for international students and for the VET sector more broadly. These include the COAG strategy for international students, reforms to the quality frameworks for the VET sector, and the imminent establishment of national regulators in both the VET and higher education sectors.

Beyond these developments are changes to the skilled migration program announced in February 2010. The Government has introduced more tightly focused selection criteria for use in the General Skilled Migration program, drawing on advice from Skills Australia to ensure Australia attracts migrants with high level skills in occupations which cannot otherwise be met through training or re-skilling Australians. The more targeted Skilled Occupation List is also intended to remove the perverse links between migration and international education by reducing the incentive for students to apply for a course in the hope they might gain permanent residence.[189]

Over and above these regulatory changes are more underlying and stubborn issues about how to nurture and promulgate best practice delivery to international students in a highly competitive commercial environment. Collaborative professional development and stronger communities of practice among providers concentrated in the international education market may contribute to greater professional infrastructure in this sector. Public benchmarking and greater transparency may also go some way towards restoring international confidence in the VET sector's performance.

Increasing the visibility of VET outcomes and public value

Linking funding to completions

At present, indicators and measures of the outcomes of Australia's VET system are still substantially input focused. Funding is allocated based on activity and volume measures such as enrolments or annual student contact hours delivered. Internationally, the focus has been shifting towards measuring VET outputs such as competency completions or student progression into a job or higher-level course. In the United Kingdom, where course success rates (which are very similar to completions) have become the focus in quality and funding regimes, success rates have increased from less than 50 per cent to over 75 per cent in the last decade.[190] This is very high compared to Australia, where success rates in apprenticeships and traineeships are

[188] Baird, *Stronger, simpler, smarter ESOS*
[189] Senator Chris Evans 'New skilled occupation list to meet Australia's economic needs', press release 17 May 2010
[190] Department for Innovation, Universities and Skills (2007) *Further education: raising skills, improving life chances*, update July 2007, London

estimated at around 50 per cent and the average rates in other vocational courses considerably lower than this.

Data show that the return on investment is greater for students with completed qualifications. Karmel and Nguyen conclude that 'on the whole, the completion of a qualification leads to higher wages than if it were not completed'.[191] Students with a low-level qualification are expected to benefit from undertaking, and particularly completing, a qualification at Certificate III or higher. Analysis of literacy data also shows improved literacy levels are strongly linked to holding a job, and are associated with higher levels of GDP per worker and per capita.[192]

The Bradley report recommended linking a small proportion of teaching and learning funds in universities to a number of indicators of performance including completion rates for the institution as a whole and for low socio-economic status, Indigenous and regional and remote students. Linking funding to success rates appears to have made colleges in the UK far more client-focused, with effort dedicated to retaining students and helping them achieve the competencies they need to pass.

Simultaneously linking funding to completions and strengthening quality assurance and assessment measures could help to drive quality reforms in Australian VET. Measuring completions, or other outcomes such as improvements in literacy and numeracy performance, may also assist policy makers to make more informed decisions about funding allocations.

But there is some complexity in the story surrounding completions in the VET sector which would need to be considered in any move to performance based funding. Recently, the total VET completions, which were fluctuating in the early 2000s increased by 20 per cent in the two years 2006 to 2008. [193] The reason for this surge is not clear though the growth in enrolments in AQF courses relative to non-AQF appears to be a factor.

Work by Mark and Karmel has examined the issue of completion rates in VET. Mark and Karmel found that the national estimated completion rate of VET course enrolments at Certificate I and above commencing in 2005 was quite low, at 27 per cent. It was higher for full-time students, at approximately 35 per cent, and it was also highest for course enrolments at Certificate III level compared to other qualification levels.[194]

Another consideration is that many VET students are more interested in skill sets or modules than full qualifications. In 2000, Foyster and others examined the issue of 'partial completion', which meant withdrawal after successfully completing all modules attempted but not completion of the whole course. They found approximately 49 per cent of course enrolments were partially completed in this sense and when added to the course completion rate of 27 per cent, it could be argued that overall three-quarters of VET enrolments lead to successful outcomes.[195] Mark and Karmel's study found a load pass rate of 79 per cent and make a similar point, that is, a useful measure of success in VET is the proportion of modules passed.

In this case, non-completion of a course may not necessarily indicate waste or failure as students may have acquired the skills they need. Also, for some learners who come to VET with very low sets of skills, small transitions and improvements are important outcomes and using completions as a metric may discriminate against providers serving disadvantaged students.[196]

Some considerations in introducing a funding system partly linked to completions include the risk of provider manipulation of outcomes, such as completing or passing marginal students or

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[191] Karmel, T and Nguyen, N (2006) *The value of completing a vocational education and training qualification*, NCVER
[192] Burke, G (2010) *Literacy, qualifications, jobs, income and growth,* NCVER, in draft
[193] NCVER, *Students and courses 2009*, table 16
[194] Mark, K and Karmel, T (2010) *The likelihood of completing a VET qualification: a model-based approach,* NCVER
[195] Foyster,J, Fai, HK and Shah, C (2000) *Student flows through Australian TAFE courses*, NCVER
[196] Mitchell, J and Ward, J (2010) *VET stakeholder views about completions—a paper for the Service Skills Australia project 'Evaluation frameworks for VET'*, draft paper

discouraging students from taking a job before they complete their qualification. As mentioned, improvements in quality assurance need to accompany the changes considered here.

Any move towards a stronger focus on completions also needs to take into account the diversity of VET students and their backgrounds, including low socioeconomic status and other measures of disadvantage. This information is important to enable valid comparisons of different VET providers and different types of students. This suggests that if completion rates are to be factored into an assessment of providers' and the VET sector's quality and performance, then a wide variety of indicators and a balanced scorecard should be considered. The development of data measurements that incorporate skill set outcomes may also be required.

A step in this direction has recently occurred with the Australian government's 2010-2011 budget announcement of $130 million available under the Quality Skills Incentive. It is intended as a stimulus for improved performance by the 100 largest public and private RTOs delivering approximately 95 per cent of publicly funded training in Australia. The incentive will be subject to negotiations with providers on improvements such as student achievements and increased participation by disadvantaged learners.

Measuring VET's contribution to social capital

There are recent changes to more comprehensive corporate reporting which include transparency across financial, social and environmental indicators of company performance. This approach looks beyond shareholder returns and the efficiency and effectiveness of executive management. This shift has been influenced by both negative and positive events. In the face of massive corporate collapses such as Enron and HIH, and more recently, global banking corporations, there have been calls for much greater rigour in transparency and accountability in governance. With increasing globalisation and mass communications, there has also been pressure on corporations to reveal both the social and environmental impacts of business, especially in undeveloped regions.

Government programs have as one of their underlying goals the development of forms of public value, or social capital, even if their objectives are not articulated in such language. However, research by the Australian Bureau of Statistics and the Productivity Commission indicates there is as yet no internationally agreed framework of what constitutes social capital, how it accumulates in society, or how it impacts on communities and individuals.[197] The social outcomes of public sector entities have in a sense gone unacknowledged and 'under-reported', as there has been little empirical development of the types of indicators and 'measurables' that can be applied to quantify the broader social impacts of public services.

Examples of VET's contributions to public value have been a feature of research[198] and included in institutional annual reporting for some time. In the higher education sector, the Australian University Quality Agency's Good Practice Database includes 'community and industry engagement' as one indicator of institutional good practice. But the difficulty is to develop measures that have some robustness and replicability across the system as well as being indicative of the causal relationship between training participation and the outcomes being measured. Recent work by the Productivity Commission on the contribution of the not-for-profit sector has made an inroad into a conceptual framework for measuring the 'intangibles' of service organisations.[199]

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[197] ABS (2004) *Measuring social capital—an Australian framework and indicators*, cat. no. 1378.0; Productivity Commission (2003) *Social capital: reviewing the concept and its policy considerations*

[198] Allison, J, Gorringe, S and Lacey, J (2006) *Building learning communities: partnerships, social capital and VET performance*, NCVER; Stanwick, J, Ong, K and Karmel, T (2006) *Vocational education and training, health and wellbeing: Is there a relationship?*, NCVER; Mitchell, J (2006) *The Gwydir learning region model: an independent evaluation*, NSW Board of Vocational Education and Training; see also Gwydir Learning Region website, http://gwydirlearningregion.nsw.edu.au/about.html

[199] Productivity Commission (2010) *Contribution of the not for profit sector—research report*

The broader role Skills Australia is recommending for VET would require new performance indicators that measure VET's engagement with industry to support enterprise workforce development, and VET's contribution to supporting regional economic and community development.

Evaluating performance across the whole VET sector

Public reporting of national data and performance indicators is available at a national level, but individual provider information is not. Traditionally the public face of performance measurement in the VET sector has been the *Annual national report of the Australian vocational education and training system.*[200] The 2008 annual report assessed the performance of the national VET system against six key performance measures (KPMs), using data mostly sourced from the NCVER.

The KPMs in the 2008 report are:

- KPM 1—Student participation and achievement in VET
- KPM 2—Student employment outcomes and satisfaction with VET
- KPM 3—Employer engagement and satisfaction with VET
- KPM 4—VET outcomes for Indigenous Australians
- KPM 5—Community engagement and satisfaction with VET (since discontinued)
- KPM 6—VET system efficiency.

More recently, COAG's reform agenda has created a catalyst for change.[201] COAG's National Agreement for Skills and Workforce Development requires reporting on the performance of Australian governments in meeting the objectives of the agreement.[202] The baseline performance report for 2008 reports on the following KPMs:[203]

- proportion of the working-age population at literacy level one, two or three
- proportion of 20- to 64-year-olds who do not have qualifications at or above a Certificate III
- proportion of graduates employed after completing training, by previous employment status
- percentage of graduates with improved employment status after training
- number of hard-to-fill vacancies
- proportion of people employed at or above the level of their qualification, by field of study.

COAG's KPMs represent a shift towards outcomes-based measures. Karmel highlights this in his report on educational outcomes related to the COAG intergovernmental agreement on VET:

> by comparison with the indicators for the earlier national strategies … there are no indicators of efficiency, and no indicators of inputs. All the measures focus on outputs and outcomes, and the output measures do not, as is more conventional, look at what the system is producing directly. Rather, they focus on characteristics of the overall population.[204]

The shift of national performance indicators could be seen as neglecting the contribution of the sector to enterprises and communities. There may be scope to consider these aspects as part of institutional performance.

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[200] Karmel, T (2009) *Measuring educational outcomes: vocational education and training*, NCVER
[201] ibid.
[202] COAG Reform Council (2009) *National Agreement for Skills and Workforce Development: Baseline performance report for 2008*, report to the Council of Australian Governments
[203] ibid.
[204] Karmel, *Measuring educational outcomes*

There is also a need to better understand the contribution of the private sector. Skills Australia, as well as COAG, has set ambitious targets for increasing Australia's education and training attainment. To measure Australia's performance against these targets, there is now a strong case for appropriate and accurate performance indicators and regular public reporting on outcomes in all VET, including the private sector. Although some private sector activity is captured in provision that is publicly funded, there is much more that is not counted. The private sector is clearly contributing to qualifications and other national targets and this needs to be measured if we are to gain a full picture of VET outcomes. Advice on how this might be achieved is sought from this consultation process.

The case for transparency

Under the Australian Quality Training Framework, individual RTOs are required to collect, use and report data on three key performance indicators (KPIs):[205]

- competency completion, measuring the rate of qualification and module completion, based on data provided by RTOs on the previous calendar year's number
- learner satisfaction, measuring learner engagement, perceptions of the quality of training and resources available and the support they receive
- employer satisfaction, measuring employer perceptions of learner competency, relevance to work and further training, and the overall quality of training.

Reporting against all three KPIs is mandatory for RTOs from July 2010 onwards; however, the performance of individual providers is not made publicly available.

Competency completion data is collected through the Competency Completion Online System, which requires RTOs to enter data on the number of enrolments and completions per qualification and the number of enrolments and completions per unit of competency or module. Some RTOs already report this data through *AVETMISS*.[206]

The learner and employer satisfaction data is obtained through surveys carried out by RTOs. The AQTF provides RTOs with the survey and the guidelines for conducting it. However, there are potentially large inconsistencies in the collection of data between providers. For example, providers may choose to conduct a census across the entire target population of learners, or collect data from just a sample of the population.[207]

Publication of individual provider performance data may provide incentives for providers to focus on student achievement and improve learner support services. It would also help prospective students to compare course information and assess provider performance.

The publication of key performance indicators on all publicly funded VET providers through the MySkills website will help drive quality reform and assist users in choosing a provider. For example, clear and comprehensive course information would allow learners to make more informed choices.

Standardised information might include:

- student enrolments
- programs and courses
- course completions
- competency completions

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[205] AQTF (2007) *AQTF Essential Standards for Registration*
[206] Victorian Registration and Qualifications Authority, *AQTF quality indicators*, http://www.vrqa.vic.gov.au/vet/qualsindicator.htm, accessed 20 July 2010
[207] ACER, *Australian Quality Training Framework (AQTF) 2007: Overview*, http://www.acer.edu.au/tests/aqtf, accessed 20 July 2010

- improvements in language, literacy and numeracy levels
- composition of the student body (for example, socioeconomic status, students with disability)
- results of student satisfaction surveys
- results of employer satisfaction surveys
- learning support services
- flexible learning options, such as e-learning and continuous enrolment
- student pathways and rate of student articulation
- extent of industry engagement and contribution to workforce development
- participation in regional and community development.

Making sure data can support the task ahead

Quality data—that is, relevant and timely data—is essential for meaningful reporting, continuous improvement and proper assessment of the quality of VET provision. If made public it also enables students and employers to make informed choices about individual providers based on their performance. The National VET Data Strategy report found that the VET sector has a multiplicity of data collections at the national and jurisdictional levels on both the administration and the performance of VET.[208] The key questions are whether there is sufficient access to the data to allow evaluation of the performance of the system as a whole, and whether the types of data currently collected provide the information needed to assess contemporary issues and plan future directions.

Tracking student pathways and workforce destinations

One area where data is lacking relates to student pathways and workforce destinations. Currently there is little capacity to track a student's progress through the VET sector and into the workforce or further study. Addressing this gap would assist in evaluating outcomes for VET. Introducing a unique student identifier as is proposed could assist in identifying and tracking student pathways across the VET sector and, depending on the mechanism used, in tracking across all educational pathways.

The National VET Data Strategy recommended using the student outcomes survey to collect longitudinal data on workforce destination. This would allow labour market outcomes to be tracked over several years. The report also suggests that, to be most useful to potential students and other stakeholders, the detail in the published results should be increased to provide data at the individual RTO and course level. Similarly, better matching of VET provider data collection and employment data collection may allow for analysis without making additional demands on survey participants.

Non-completions and the impact of disadvantage

This discussion paper has identified the issue of non-completions as a concern. As noted above, using completions as an indicator of VET sector performance is complex. Understanding student intent could throw light on this. The NCVER review of the AVETMIS Standard for VET providers has found that 'student intent' at time of enrolment is not captured. Collecting this data would identify students who intend to complete qualifications, skill sets or units only.[209] Students' intentions can change over time and there may be funding incentives which encourage students to sign on for whole courses. Nevertheless, such data would enable better understanding of whether students are achieving outcomes in line with their intentions.

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[208] Allen Consulting Group (2009) *National VET Data Strategy*, report for the Department of Education, Employment and Workplace Relations

[209] NCVER (2010) *Review of the AVETMIS Standard for VET providers: discussion paper*

The NCVER review is also examining the measure of disadvantage. Data that enables better understanding of the level of disadvantage can help develop measures that acknowledge the relative difficulties in achieving outcomes for disadvantaged students. This data could be used to fund and recognise providers that are 'reducing the gap' and may be a necessary precursor to funding completions.

Using data to enhance development of the VET workforce

The quality of the VET workforce is fundamental to the quality of outcomes. Due to lack of data it is not possible to determine with any certainty whether casual employees in VET have a primary job in industry, whether they are working a range of casual teaching jobs, or whether they are part-time in the workforce.

There is also inadequate data about the mix and level of the qualifications held by the VET workforce. Lack of data also makes it difficult to assess the depth or currency of industry experience or professional development needs.

The NCVER review is exploring whether a new section on staff data should be included in the data collection and if so what information would need to be collected.

VET practitioners—skills to meet new challenges

Skills Australia envisages an expanded role for VET practitioners to address the goal of increasing workforce participation, skills deepening and workplace productivity. This broader role has a number of dimensions for professional practice in the future.

A broader mandate for VET practitioners will require cultural change in VET professional practice. This will go beyond the traditional boundaries of pedagogy. It will require the development of entrepreneurial skills among the VET workers, to work proactively with employers and others in understanding their needs and customising services to suit. To achieve this change VET employers might need to bring in new staff, significantly upskill their existing staff or establish new professional connections with other experts.

It may also require the development and recognition of more diverse professional pathways for VET practitioners, including pathways to advanced teaching. The role of a professional body to support the development of professional VET practice might also be a consideration for the future.

Practitioners are envisaged as educating an even broader cohort of learners in a wider range of contexts. These learners will include new entrants to the workforce, mature workers seeking to upgrade their skills in line with changing technology and work practices, and people who are marginalised in the labour market and need to develop their foundation skills (including language, literacy and numeracy) in order to participate more fully. Meeting the needs and learning styles of such a diverse group will require a VET workforce that is capable of using creative teaching and learning strategies to support learners whose needs may challenge traditional ways of teaching and learning.

Practitioners will require the capability to devise flexible teaching and learning approaches for both institutional and workplace settings as a regular part of their professional practice. This raises questions about the essential qualification requirements for professional practice in such a changing environment.

Recruitment and retention practices may also need to adapt to deal with VET workforce retirement and replacement issues.

A renewed focus on VET pedagogy

VET pedagogy is distinctive and although well grounded in theory can be described as 'applied practical' or 'learning by doing' in approach. To be effective, VET teachers need to work on two fronts—they need both educational and industry-specific expertise.

A renewed focus on quality teaching and learning across the VET sector needs to reflect this distinctive character both in initial training and in the continuing professional development of VET practitioners. The issue of quality of VET provision is a central theme of this discussion paper and the professional standing of VET practitioners underpins quality. As the UK Commission for Employment and Skills has observed, the quality of an education system cannot exceed the quality of its teachers.[210] Key issues raised to date in consultations, and in the literature, relate to matters of industry currency, an apparent lack of focus on VET pedagogy, the standard of initial teacher training, and the need for continuing professional development and performance development.

To meet the requirements of the AQTF, teachers and trainers in registered training organisations are required to hold an industry qualification and a Certificate IV in Training and Assessment (now superseded by the new Certificate IV in Training and Education) as a minimum, or be able to demonstrate equivalent competencies or be working under the direct supervision of a person who has the competencies. Questions have been raised about the adequacy of a VET practitioner Certificate IV level qualification. There is a view that it may be adequate for practitioners who are beginning their career or identify more as trainers rather than teachers, but inadequate for full-time, continuing teachers. Given that VET practitioners deal with some of the most challenging learners and diverse contexts there is a question about their preparation including sufficient depth of theoretical knowledge and emphasis on the practical skills of teaching and learning practice. As noted in section 2.2, training in language, literacy and numeracy is only an elective unit of the VET practitioner Certificate IV requirement. This may need to be revisited in order to better equip VET trainers and teachers to deliver improved outcomes for learners.

There are also concerns about the alleged variable quality in the delivery of this certificate, in particular because some providers offer it over only four to five days. There is a range of research activity currently underway to examine the adequacy of the Certificate IV in Training and Assessment, including a strategic audit commissioned by the National Quality Council. The National Audit and Registration Agency, as part of the national strategic audit, conducted five site audits of RTOs delivering the Certificate IV qualification and found three of the five RTOs to be non-compliant.[211]

Professional development

VET practitioners need the opportunity both to continually update their industry knowledge and educational expertise and to respond to new and emerging challenges, such as incorporating 'green skills'. They also need the skills to work with businesses and social enterprises. Ongoing professional development is especially required in assessment, flexible learning strategies and VET pedagogy. The increased emphasis on foundation skills and language, literacy and numeracy requirements of many students requires practitioners to have expertise in supporting students' individual learning needs, especially disaffected and disengaged students.

Leaders and managers in the sector will need to be well equipped in adapting for changing market circumstances. A greater emphasis on managerial and entrepreneurial skills is expected due to the growing commercial dimension of the VET sector. The impact of market reforms on public institutions is likely to be significant and managerial personnel may also need to have the

[210] UK Commission for Employment and Skills (2010) *Teacher training in vocational education*, p. 9
[211] TVET newsletter September 2010
http://www.tvetaustralia.com.au/__data/assets/pdf_file/0017/54170/TVET_Australia_Newsletter_September_2010.pdf

capability to operate more autonomously in the future. How VET practitioners are supported in this is a key issue.

There has been a move over the last decade in Australia and also internationally to establish professional standards bodies for teachers.[212] They have as their goals not just the regulation of the teaching profession but also the promotion of ongoing professional learning by practitioners, and the development of excellence and leadership. They have various governance arrangements, but in most cases work from an elected and representative base of teachers across both public and private sectors. In many respects they have provided a professional voice for teachers on the development of teaching as a profession.

Debates and sharing of ideas and best practice in quality teaching and learning in the VET sector have in the past largely revolved around nationally funded projects such as Reframing the Future[213] and the Consortium Research Program.[214] They have also been driven through loose coalitions of academics and practitioners such as the University of Technology Sydney's OVAL, Canberra Institute of Technology's CURVE, and state-based institutional arrangements such as the Victorian TAFE Development Centre or the TAFE NSW ICVET. The LH Martin Institute at Melbourne University is a recent specialist centre focused on the professional development of the tertiary education workforce.

VET professionalism has been grounded in a 'standards' sense in the periodic tightening of the AQTF. The framework has gone through several reviews since its inception in 2001, but although there is a requirement that 'training and assessment is delivered by trainers and assessors who ... continue to develop their VET knowledge and skills as well as their industry currency and trainer/assessor competence', there is no clear publicly available evidence about how well this standard is implemented. Additionally, performance development does not appear to be a well-developed feature of the VET sector. Yet it has the potential to provide valuable feedback, support and assistance to VET practitioners which could contribute to improved teaching practice.

Interestingly, in the VET sector, unlike the school sector, the issue of developing professional standards, support for beginning trainers or teachers, and the focus on a 'hierarchy' of professional excellence has not been a significant feature of the debate on improving the quality of professional practice until recently.[215] Interest in an appropriate future mechanism for such development is being canvassed in this consultation.

Ensuring VET is not only industry led but industry connected

The Productivity Commission notes that Australian firms rely crucially on the VET sector to supply the skills they require for production.[216] This reliance makes VET the education sector with the most direct link to economic conditions. The VET workforce is sourced in many cases from the staff of firms, but industry currency is essential for all VET practitioners.

As noted in section 2.1, the VET workforce is also being challenged to play a broader role in enterprise workforce development. Developing and maintaining industry currency and expertise among the VET workforce is therefore essential. Initiatives are needed to improve the familiarity of VET practitioners with the latest workplace environments and technology and to build partnerships between providers and industry. Opportunities for renewal and professional development through engagement with industry are essential.

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[212] See links to all Australasian teacher regulation authorities at the Australasian Teacher Regulatory Authorities website, http://atra.edu.au/index.htm

[213] See website of archived material at http://www.reframingthefuture.net/Default.asp

[214] See website of archived material at http://consortiumresearchprogram.net.au/

[215] Mitchell, J (2010) 'For and against teacher standards', *Campus Review*, 8 March; Wheelahan, L (2010) *Literature review and options paper: the quality of teaching in VET*, LH Martin Institute, Melbourne University, https://austcolled.com.au/sites/default/files/VET_Options_paper_10_1.pdf

[216] Productivity Commission (2010) *Vocational education and training workforce issues paper*, p. 7

Renewal of the VET workforce

The VET workforce is ageing, with many practitioners needing to be replaced due to a forthcoming period of retirements, or scaling down to part-time work. The future capacity of the sector is severely compromised without sufficient qualified and experienced staff.

To some degree it is to be expected that VET will have an older age profile, since VET practitioners tend to move into teaching as a second-stage career. However, the latest figures indicate a trend that needs to be addressed through proactive strategies. The data show that 38 per cent of VET practitioners were aged 45 to 64 years in 2005, compared to 30 per cent in 1997.[217] In TAFE, the ageing workforce is more evident, with 66.9 per cent of its workforce aged 45 years or more in 2005.[218] The data also show that TAFE's workforce is long serving: over 34 per cent have been employed 10 years or more and 10 per cent have 20 or more years of service.[219]

This is an issue that requires strategic succession planning. As Guthrie and Clayton note, the imminent loss of many of the sector's oldest and most experienced staff can be seen as both an opportunity and a threat.[220] Managed strategically it provides an avenue to bring in new people and ideas, potentially those with greater industry currency. It also opens possibilities for providers to retain and attract mature-age workers both from VET and from other industry sectors. The trend in the working population generally is for increased participation of mature-aged workers, supported by tax incentives and changes to superannuation. Some providers already are implementing strategies to harness talent. For example, Box Hill Institute has a scheme to retain and attract back people who have recently retired. This strategy is used to fill gaps for specialised tasks and for coaching and mentoring younger teachers.[221]

Casual employment—strengths and weaknesses

The VET sector workforce is also characterised as being highly casualised. Although data for the private VET sector are not available, Guthrie found that nearly 57 per cent of TAFE practitioners in 2008 were employed on a casual or contract basis.[222] Certainly more TAFE teachers are employed part-time than full-time.[223] This has both strengths and weaknesses. To the extent it reflects a workforce characterised by teachers and trainers whose primary job is in the industry area in which they teach, it could reflect a strength of the system. Use of casual employment also affords providers a level of flexibility to engage and deploy teachers who have the relevant skills to meet student demand. This is a feature that could become more important in responding to a student entitlement scenario. In addition, the option for a less than full-time workload could be attractive to teachers who might otherwise retire from the workforce. However, a key issue of concern is that casuals generally have less access to support from other VET staff and less access to professional development opportunities. It is also likely to be the case that a casual teacher is less available to students—an issue that may be significant for learners with higher support needs.

The Productivity Commission's comprehensive review of the VET workforce, which is due to report in April 2011, is welcomed by Skills Australia. Skills Australia is of the view that better data on both the private and public VET workforce needs to be collected at state/territory and national level, made public and used for planning, research and quality improvement.

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[217] Guthrie, H (ed.) (2010) *Vocational education and training workforce data 2008: a compendium*, NCVER, p. 19
[218] ibid., p. 20
[219] Nechvolglod, L, Mlotkowski, P and Guthrie, H, 'National TAFE workforce study 2008', in Guthrie, ibid., p. 42
[220] Gutrhie, H and Clayton, B (2010) *Building capability in vocation education and training providers: the TAFE cut*, NCVER
[221] Ross, J (2010) 'Mature age productivity', *Campus Review*, 5 July
[222] Guthrie, *Vocational education and training workforce data 2008*, p. 31
[223] ibid. p. 22

Discussion questions

1. Is the VET provider market of over 4800 RTOs too big to effectively regulate? Are registration and approval fees sufficient for the task? Could higher fee levels discourage high-risk providers from entering and staying in the market?

2. Are the AQTF Essential Standards for Registration and the AQTF quality indicators sufficient to promote confidence in VET? Should the AQTF be underpinned by legislation? What role does the optional use by RTOs of the Excellence Criteria have in boosting the profile of the system?

3. What is the best way to ensure confidence in assessment? Should external moderation be mandated and could this be a role for the Industry Skill Councils?

4. What should be the minimum qualifications for professional VET practice? Should LLN be a mandatory minimum component of VET teacher training? How could new practitioners be better supported?

5. What strategies should be used to maintain practitioners' vocational currency and to support continuing development of teaching and assessment skills? Should VET practitioners be encouraged to complete higher-level qualifications, at degree, graduate certificate or diploma level?

6. Do current performance development approaches ensure quality VET teaching? Could this be assisted by a professional standards system or the establishment of a professional body?

7. Do COAG's current KPIs measure the most important VET outcomes? If not, how should they change or what should be measured? How should we capture information on VET's role in enterprise workforce development and its contribution to community and economic development?

8. Should we be worried about low qualification completions rates in VET? Are qualification completions an appropriate success indicator? Should funding be linked to provider performance?

9. What kind of information should providers (including private providers) issuing AQF qualifications be required to publish? How might this be incorporated as part of our national data collection on the outcomes of VET sector?

10. In measuring outcomes of providers, how should the system take account of different types of students and their relative learning advantage or disadvantage?

11. How should best practice and improved quality be promoted in the Australian VET international education programs?

2.5 Better connections and pathways across education and training

If more Australians are to achieve higher-level qualifications, there must be more opportunities and support for high-quality outcomes leading to educational progression between all education sectors. Clear pathways and good partnerships can also help build capacity and support innovation by harnessing opportunities for collaboration and resource sharing, including the sharing of capital resources and specialised equipment.

Building better connections and pathways between the sectors is also a key strategy for increasing participation in tertiary education by students from regions, and from low socioeconomic and disadvantaged backgrounds.

Meeting the qualification targets set by COAG, and the recommendations made by Skills Australia for increased tertiary enrolments, requires new strategies. It also means revisiting the assumptions and models that underpin secondary, community, VET and higher education in Australia.

Increasingly, institutional boundaries are blurring—especially between VET and higher education—and the delivery of degrees and diplomas is now contested space. The distinctiveness of the missions of the sectors and their ongoing differentiation is being overtaken by moves for increasing harmonisation of the sectors' roles. In some cases the relationship between the sectors varies on a region by region basis according to the level of competitiveness or collaboration between specific institutions and the profile of need within localities.

International education also plays an important part in inter-sectoral relationships in terms of quality, transitions and competitiveness between institutions.

Connections with higher education

There are many examples of effective pathways and partnerships throughout the tertiary sector. These include joint programs, guaranteed credit transfer to higher qualifications, dual-sector universities and cross-sectoral campuses. However, these arrangements vary considerably in scope and scale, for example between VET institutions and various categories of universities.

A small number of institutions are dual-sector operators, so called because they offer a high proportion of both VET and higher education programs and pathways. They include the University of Ballarat, Charles Darwin University, RMIT University, Swinburne University of Technology and Victoria University; Central Queensland University has also taken first steps towards reinventing itself as a dual-sector university.

Another collaborative model is cross-sectoral campuses, where two or more education providers are located on a site. Typically they share resources, facilities and services such as laboratories, lecture halls, libraries and canteens, but maintain separate teaching staff operating under different industrial conditions. Coffs Harbour Education Campus, which includes Southern Cross University, TAFE NSW North Coast Institute and a senior secondary college, is an example of a shared campus arrangement.

Such collaborations facilitate cooperation, although this is generally constrained by industrial agreements and different funding models that make for complex auditing and accountability operations. These institutional 'fusions' are not widespread. Articulation and credit transfer arrangements are more usually negotiated on an institution to institution basis and vary significantly. Documentation of these arrangements is not always readily available to prospective students. This causes significant frustration for some students trying to obtain entry to

university (or VET, since reverse articulation is also significant) with credit for previous relevant studies.

One of the reasons often put forward for the lack of better articulation and credit transfer between the sectors is the difference between the competency-based system of VET and the curriculum focus of higher education. Lack of grading in VET is also often cited as a barrier, although there are many examples of grading being provided in VET programs. Current funding models may also be a factor, as it is claimed there are funding disincentives for universities to enrol students into the second year of degree programs.

The proportion of domestic undergraduate students admitted to higher education on the basis of prior VET study (articulation) in 2006 was 10.1 per cent,[224] the same percentage as for students admitted to VET with degrees.[225] There is significant variation in the percentage of VET students admitted to university within the university sector. For instance, Wheelahan's research shows that in 2007 only 2.7 per cent of the Group of 8 universities admitted students with prior VET, compared to 17.4 per cent of dual-sector universities.[226]

Not all students who articulate from VET to higher education receive credit for their VET study, and the same can be true of higher education students enrolling in VET. The proportion of students gaining credit (or exemption) in higher education for previous VET study was only 3.4 per cent in 2006.[227]

The cross-sectoral qualifications structure provided by the Australian Qualification Framework should in principle make credit transfer easier. And yet according to Moodie, many states in the United States have higher levels of student transfer from community colleges to elite universities than does Australia, and this often occurs with specified credit.[228] This takes place in the absence of a qualifications framework, but in the context of policy 'breadth', where state legislatures pass policies that insist on these outcomes.

A study of learner mobility commented that 'movement from VET to higher education takes place on a spectrum ranging from well organised to haphazard. Students are not always granted full credit for their previous learning, and there is a lack of clarity between institutions about what counts as credit transfer or exemption'.[229] The complexities of these arrangements have been described as 'crazy paving' rather than as a seamless pathway, and the causes of this are as much cultural as they are systems weaknesses.[230]

The actual cost to individuals (and governments) of inadequate credit transfer arrangements between VET and higher education is an important consideration. However, the same can also be said of higher education to VET movement, although this has not received as much attention as movement the other way. Data from the Department of Education, Employment and Workplace Relations show that the proportion of university students gaining credit for prior TAFE study is also low, though there was an increase from 2.6 per cent of commencing domestic undergraduate students in 2002 to 3.4 per cent in 2006.[231]

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[224] DEEWR (2008) *Review of Australian higher education: discussion paper*

[225] http://www.deewr.gov.au/HigherEducation/Programs/Quality/QualityAssurance/Pages/CreditTransferArticulation.aspx, accessed 8 July 2010

[226] 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 Forum, University of South Australia, 25–26 February, tables 6 and 13

[227] DEEWR, *Review of Australian higher education: discussion paper*

[228] Moodie, G (2008) *From vocational to higher education: an international perspective*, Open University Press, Berkshire, UK

[229] Walls, S and Pardy, J (2010) *Crediting vocational education and training for learner mobility*, NCVER

[230] Harris, R, Rainey, L and Sumner, R (2006) *Crazy paving or stepping stone? Learning pathways within and between vocational education and training and higher education*, NCVER

[231] http://www.deewr.gov.au/HigherEducation/Programs/Quality/QualityAssurance/Pages/CreditTransferArticulation.aspx, accessed 8 July 2010

Tackling effective transition for lower SES students

Research confirms that VET is an area that needs to be targeted if low socioeconomic status (SES) students are to be encouraged to progress to university studies. Work commissioned for Skills Australia concluded:

> There is little doubt that university students and VET students come from very different backgrounds. The former are drawn from the ranks of advantaged Australians: parents with higher levels of education and highly skilled occupations. VET students on the other hand come from a much wider spectrum ... Despite this diversity it is also clear that VET students are more likely to come from families which are disadvantaged across a range of measures.[232]

The Australian Government has allocated $108 million over four years for a new partnerships program, to link universities with vocational education and training providers and low SES schools, with the express purpose of improving low SES participation in higher education.[233] There are already strong indications that universities are responding to these new funding incentives with more focus on strategies to support and encourage disadvantaged students into higher education. However, for the government's strategy to succeed, it will be important to consider research which shows that low SES students are less likely to be enrolled in higher-level VET qualifications, such as diplomas, making it far less likely they will be able to progress to university.[234]

One of the key challenges for VET is not just to provide opportunities for low SES students to engage with VET, but to put in place strategies so a much higher proportion can readily progress into higher-level courses. This will not only enhance their job prospects, enabling them to move into paraprofessional work, but also give them a platform from which to move to higher-level studies if they wish. This was the rationale for Skills Australia's recommendation in *Australian workforce futures* for additional funding to address the complex skill needs of vulnerable or disengaged learners in the VET sector.

Blurring of boundaries

The boundaries between higher education and VET are being eroded. Ideas for engagement between the sectors have been sparked by new targets and funding for increasing enrolment of low socioeconomic background students noted above, student entitlements to a place at university, as well as the introduction of student loans for VET diplomas and above. These new forces have created a very volatile environment for institutions to position themselves in the market and in relation to each other.

Some states are entering the debate proactively. A report released by Professor Kwong Lee Dow is expected to be the basis of a Victorian tertiary education plan.[235] A regional development blueprint for Victoria released in June 2010 included funding to promote tertiary education partnerships in the regions.[236] New South Wales has instigated investigations into greater tertiary sector cooperation.[237]

The University of Canberra has proposed an 'omniversity' model, to incorporate a polytechnic, signalling its intention to offer programs below degree and diploma level, in qualifications that would traditionally have been seen as VET offerings. Vice Chancellor Stephen Parker is reported

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[232] Watson, I (2009) *SES background of VET students compared with university students: a report to Skills Australia*, p. 41
[233] DEEWR (2009) *Measuring the socio-economic status of higher education students: discussion paper*, p. 14
[234] Wheelahan, 'What kind of access does VET provide?'
[235] Skills Victoria (2010) *Report advising on the development of the Victorian Tertiary Education Plan*, http://www.skills.vic.gov.au/corporate/providers/universities/victorias-plan-for-tertiary-education
[236] Regional Development Victoria, http://www.rdv.vic.gov.au/community-programs/tertiary-education-partnerships
[237] NSW Office for Science and Medical Research (2010) *A discussion paper for a NSW tertiary education plan*

as arguing for a new kind of institution developing innovative curriculum and providing the first or perhaps second year of degree programs, leaving universities to focus on research and the latter years of degrees and above.[238]

On the other hand, TAFE Directors Australia is calling for Australian Government funding to be extended to the VET sector, forecasting a rapid rise in the number of bachelor degrees offered by TAFE institutes. This may indicate that rather than better tertiary connections, we may be seeing the beginnings of a 'turf war', with more universities moving into VET territory and more VET providers moving into the higher education space.[239] This also raises questions about the lack of focus on lower-level qualifications, especially Certificates III and IV. Some would say VET is losing sight of its core business of supporting foundation, trade, intermediate and supervisory level training—'to concentrate attention on higher level qualifications is not the way to encourage commencements in the trades and to address the demand for skills'.[240]

Boosting youth attainment levels—the role of vocational programs in schools

Governments have recently mandated increases in the school leaving age. And COAG targets aim to boost the proportion of young people aged 20 to 24 years with either Year 12 or at least Certificate II qualifications. A wide range of institutional supports, including subject choice, will be required to enable this outcome. Vocational programs in schools will play a central part in improving participation of disadvantaged groups and improving Year 12 completion rates so we match the performance of our OECD counterparts. Sweet notes that Australia currently lags behind the OECD average for educational attainment for 15- to 19-year-olds and our position has been deteriorating since 2000. Furthermore, there is considerable variation among states and territories.[241]

VET in Schools programs have been growing in popularity and have achieved positive results, keeping students engaged in education and preparing young people for employment or further education. In 2008, there were 220,000 VET in Schools students, or 41 per cent of school students undertaking a senior secondary certificate (Table 2).[242]

Table 2: Number of VET in Schools students by state or territory, 2008 ('000)

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Australia
School-based apprentices and trainees	2.2	7.2	14.0	0.5	0.8	0.5	0.1	0.4	25.7
Other VET in Schools program students	52.8	36.1	64.3	12.0	20.8	2.7	2.0	3.7	194.2
Total VET in Schools	54.9	43.4	78.4	12.5	21.6	3.2	2.0	4.0	220.0

Source: NCVER (2010) *VET in Schools 2008*

Suggestions that VET in Schools courses in some states are not sufficiently valued by employers and industry or fully embraced by students are an underlying concern for their future success and potential to contribute to improved educational attainment and labour market outcomes for young people.

VET in Schools has multiple objectives. These include increasing school retention and increasing levels of post-school education, training or employment. Currently there is tension between what are sometimes seen as the competing objectives of VET in Schools. Because both engagement and job-relevant training are important, the system needs to balance retention and

[238] 'Need for new system must end in tiers', *The Australian*, 14 July 2010, p. 25
[239] Toulson, A (2010) 'Draw the line on degrees', *The Australian*, 7 July, p. 23
[240] Beddie, F (2010) *The place of VET in the tertiary sector*, NCVER, p. 3
[241] Sweet, R (2010) *Transition outcomes: the impact of context and institutions*, report prepared for the COAG Reform Council (draft, August)
[242] NCVER, *VET in Schools 2008*

engagement strategies with education and training that provides students with valued l outcomes and employment skills.

Evidence shows stronger retention from Year 10 to Year 11 in schools that offer VET courses, due largely to a wider variety of courses being offered which focus on relevant and practical learning. There is evidence from time series data that the availability of VET in Schools has over time improved retention, with the strongest effect on retention to the end of Year 11.[243]

Evidence also confirms that students self-select into VET in Schools courses and tend to be of lower academic ability, from parents with lower educational levels and attending government schools.[244] The Longitudinal Surveys of Australian Youth show that more than 60 per cent of students undertaking VET courses in Year 9 scored in the lowest two quartiles on academic achievement tests.[245] However, there is also evidence to suggest that the impact of VET in Schools on retention is strongest in schools which offer VET courses that also contribute to a Year 12 Certificate. This highlights that VET in Schools not only provides students with alternative pathways, but also has the potential to re-engage students with school and learning.[246]

The survey results also indicate that students who participated in VET in Schools programs are proportionately more likely to take up post-school VET than those who did not participate in these programs.[247] This highlights the importance of VET in Schools in achieving post-school outcomes. 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 strong VET programs with high levels of workplace learning are more likely to enter further VET study and less likely to be unemployed. [248]

In order for VET in Schools to deliver strong outcomes for students, schools must offer courses that are well aligned with courses delivered outside of school and with the needs of employers. VET in Schools programs have had varying success in achieving this. Pathways to further education and employment are particularly good for males studying engineering or building. In contrast, females, who tend to study in the areas of home economics, business and the arts, are less likely to continue these studies after school. [249]

Strengthening VET in schools

The development of a vibrant vocational program for young people in schools centres on four key areas: improved outcomes, program quality, funding and models of delivery.

Improved outcomes

Industry consistently argues that for VET in Schools to provide meaningful pathways for students, qualifications need to provide adequate workplace training. There is 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.[250] In some jurisdictions students can potentially complete a Certificate III qualification without any workplace experience, whereas others may spend up to two days per week in the workplace or with a registered training provider.[251]

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[243] Anlezark, A, Karmel, T and Ong, K (2006), *Have school vocational education and training programs been successful?*, NCVER
[244] ibid.
[245] Coates, H and Rothman, S (2008) *LSAY briefing number 15: Participation in VET in schools*, ACER
[246] ibid.
[247] Anlezark et al., op. cit.
[248] Coates and Rothman, op. cit.
[249] Anlezark et al., op. cit., p. 6
[250] House of Representatives Standing Committee on Education and Training (2009) A*dolescent overload? Report to the inquiry into combining school and work: supporting successful youth transitions*, pp. 118–121.
[251] Get Access Now, *VET in Schools teachers*, http://getaccess.wa.gov.au/careers/profiles/data/OCC262.asp, accessed 11 March 2010

Students in school-based VET courses have a higher failure rate than other VET students of the same age cohort. Students undertaking VET in Schools studies have a failure rate of 15 per cent compared to 8.3 per cent for other publicly funded VET students aged 15 to 19 years.[252] This indicates that while VET in Schools programs have been successful in achieving higher retention, many students are not successfully completing courses and are therefore not able to use qualifications to gain employment or enter further education.

A number of submissions to the Standing Committee on Education and Training highlighted the belief among schools that VET is only an appropriate option for students of lower academic ability. Attention is therefore focused on traditional academic areas of study, while vocational areas of study are accorded lesser value.[253] According to the Australian College of Educators, 'there is a lack of recognition amongst staff in secondary schools about the importance of the work and skills agenda and the range of new pathways available to students, meaning that students may not be receiving appropriate advice'.[254]

Program quality

Schools face the challenge of assessing workplace competence in VET in Schools programs. Competency-based VET is a relatively new concept for many school teachers and administrators and it requires cooperative arrangements with employers and other partners. The Shop, Distributive and Allied Employees' Association has noted that 'schools can often struggle to convince employers to provide structured workplace opportunities, and even where they do there can often be a lack of adequate supervision, mentoring and appropriate on the job training'.[255] Regulatory frameworks for VET in Schools differ across jurisdictions. In some cases schools work in partnership arrangements with other VET providers. In others, schools or regions are registered providers in their own right and need to meet all quality standards. Enhanced partnerships between schools and TAFEs are considered by some to be the major strategy to address increased provision in priority areas and quality concerns, and to put VET in Schools provision on a sustainable long-term footing.[256]

Schools may also lack the specialised staff, facilities, industry partnerships and resources necessary to offer work experience to students. The Australian Government's 10-year Trade Training Centres program is aimed at addressing school capability issues. Trade Training Centres are designed to assist existing schools to build new or upgrade existing trade workshops, computer laboratories and other training facilities to encourage greater participation in VET courses by Year 9, 10, 11 and 12 students. Schools are encouraged to establish partnerships with other schools or training providers to maximise opportunities for students to access trades and vocational training.[257]

The quality and qualifications of VET in Schools teachers and practitioners 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.[258] Secondary teachers wishing to deliver VET in Schools are required to have an industry qualification and experience plus a Certificate IV in Training and Assessment. However, there is still a view that VET in Schools programs are being delivered by teachers without relevant and current industry experience.[259]

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[252] NCVER *VET in Schools 2008*, table 7, page 10
[253] House of Representatives, op. cit.
[254] ibid.
[255] ibid.
[256] Bateman, A and Clayton, B (2002) *Partnerships in assessment: auspicing in action*, NCVER
[257] DEEWR, *Trade Training Centres: program eligibility,* http://www.deewr.gov.au/Schooling/TradeTrainingCentres/FAQs/Pages/ProgramEligibility.aspx, accessed 18 March 2010.
[258] Currie, W and McCollow, J (2002) *Vocational education and training in public schools: enhancing student career options*, AEU
[259] Get Access Now, op. cit.

Finally, schools experience tensions in resourcing, scheduling and integrating industry qualifications with other school subjects and activities.[260]

Funding

Debate about funding for VET in Schools is longstanding. Analysis suggests the lack of a coherent and integrated funding framework resulting in inconsistencies among schools and between schools and other VET providers.[261] Noonan suggests that 'governments and school authorities need to commit to funding VET subjects on the basis of costs, including the costs associated with providing high-quality workplace learning, and enrolments including the use of resources associated with secondary school enrolments'.[262] This could be achieved by:

- requiring schools to allocate enrolment-related funding on the same basis to all subjects, both academic and VET
- providing supplementary funding to meet additional costs where VET subjects exceed average costs
- providing supplementary funding for all VET enrolments to meet the costs of compliance, work placement, and other costs specific to VET programs
- ensuring that school-based apprentices and trainees are able to access User Choice funding
- providing both average and supplementary funding on an enrolment or demand-driven basis.

Models of delivery

Concerns from industry about the credibility of VET in Schools may in part be attributed to inconsistencies in the way it is delivered across jurisdictions. For example, some states have made on-the-job training a mandatory part of all VET in Schools, while other states and territories leave it up to training package guidelines.[263] Additionally, in some jurisdictions full AQF accreditation is compulsory for all VET subjects, but this is not the case across the board.[264]

The contribution of ACE to vocational education and training

The adult and community education (ACE) sector is an important but largely unacknowledged contributor to Australia's vocational education and training effort. This is despite the Ministerial Council's successive declarations in 2002 and 2008 regarding the importance of the sector in building social cohesion and community capacity and its role in supporting the COAG productivity agenda.

In 2009, ACE providers delivered approximately 5 per cent of all publicly funded VET hours and had nearly 10 per cent of all publicly funded VET students.[265] The dimensions of non-publicly funded community education activity conducted through the sector are not easily quantified.[266]

In recent years the ACE delivery profile has changed significantly. The proportion of ACE students taking accredited AQF courses has increased from 25 per cent in 2002 to 47.4 per cent in 2009, with an associated increase in the proportion of AQF hours. Over 80 percent of teachings hours delivered are now in accredited vocational programs.

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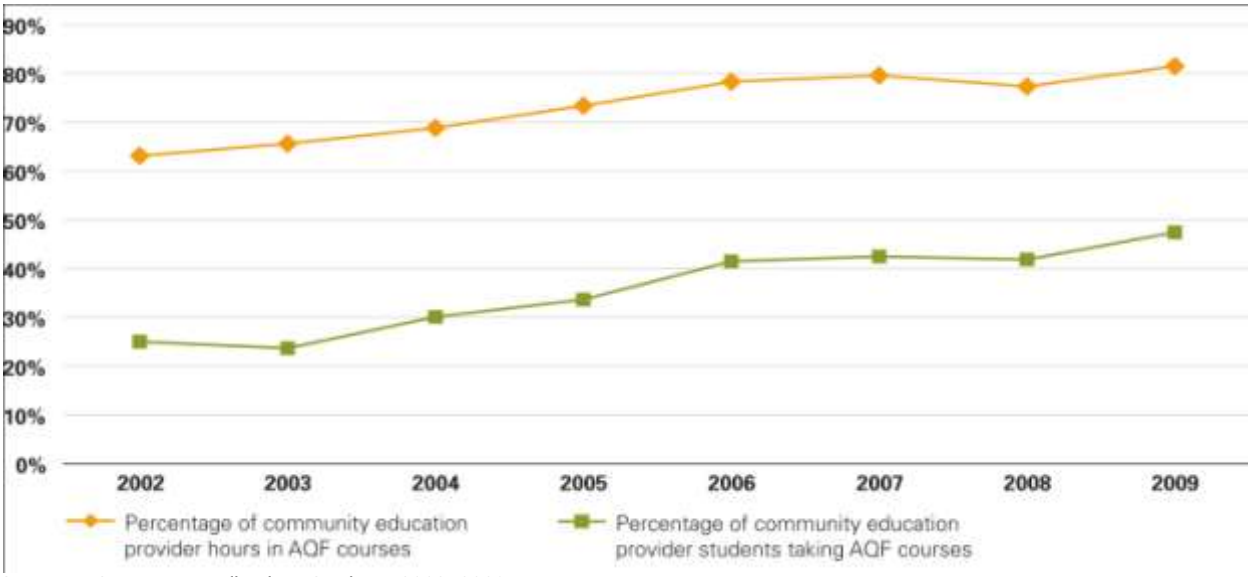
[260] House of Representatives, op. cit.
[261] PhillipsKPA (2007) *Improving the delivery of VET in Schools*, Victorian Department of Education and Training
[262] Noonan et al., *Investment in VET*
[263] House of Representatives, op. cit.
[264] Coates and Rothman, *LSAY briefing number 15*
[265] NCVER VET collection, *Students 2002–2009*
[266] Clemans, A, Hartley, R and Macrae, H (2003) *ACE outcomes*, NCVER

Figure 10: Change in delivery profile of ACE providers, publicly funded VET, 2002 to 2009



Source: NCVER VET collection, *Students 2002–2009*

ACE providers generally offer training in community-based, sometimes informal, learning environments. Many are part of a religious institution, charity or community organisation. There are approximately 1,200 not-for-profit community education and training providers around the country, 770 of which are registered training providers.[267]

They are particularly effective at engaging specific groups such as older workers, jobless people, people with disability, Indigenous people, people with incomplete schooling, migrants and people in regional and remote areas.[268] Victorian research indicates a significant proportion (34 per cent) of students were in the lowest socioeconomic status quintile. Well over half those studying language, literacy and numeracy with ACE are over 35 years of age.[269]

The sector is widely acknowledged as a pathway option to an accredited VET outcome. A high proportion of the sector's delivery is in programs such as language, literacy and numeracy, non-accredited training with vocational intent, and personal development and recreational courses. It is notable that, in common with other providers, student enrolments in non-AQF qualifications—which comprise non-award courses, bridging and enabling courses, and statements of attainment—have been declining (down 40 per cent over the period 2005 to 2009).[270]

This raises a question regarding the strong ongoing role of the sector in what has been called access, or 'second chance', education as much public funding focuses on the delivery of full qualifications. The National VET Equity Advisory Council's draft equity blueprint points to the ACE sector as an 'undervalued community asset' and argues it is time 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: further 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.[271]

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[267] DEEWR (undated) *The development and state of the art of adult learning and education (ALE): National report of Australia*, http://www.unesco.org/uil/en/UILPDF/nesico/confintea/Australia.pdf
[268] Clemans et al., op. cit., p. 39
[269] Volkoff, V and Walstab, A (2007), *Setting the scene: investigating learning outcomes with a view to the future*, report to the ACFE Board Victoria, Centre for Post-compulsory Education and Lifelong Learning, University of Melbourne
[270] NCVER (2009) *Students and courses*, p. 15
[271] National VET Equity Advisory Committee, *Equity blueprint*

Research by Gelade and others found instances of ACE providers and TAFE institutes working together to extend each other's programs to new markets and improving client numbers through articulation.[272] But the relationship between ACE providers and others in the VET sector has not always been straightforward and good relationships can take years, rather than months to cement. Commonly, ACE and other VET providers operate in the same localities and often are attempting to meet the needs of a similar clientele. Providers note that competition for students and resources has caused local disagreement and hindered collaboration.[273]

Seddon notes that the development of successful collaboration between sectors entails

> sophisticated partnership work, which … depends upon a number of factors, including appropriate partners, sufficient resources and supportive infrastructure in a context that is conducive to partnering. In the absence of any of these conditions, partnerships are likely to founder, with their potential unrealised.[274]

Discussion questions

1. What are the best models for future VET and higher education collaborations—dual-sector universities, formal networks of institutes and universities, or polytechnics? Is this something governments should facilitate or should it be left up to institutions?

2. What changes to credit transfer and/or articulation arrangements need to take place to increase the number of students who move from VET to higher education?

3. Should performance-based funding be available to VET providers to reward the progression of disadvantaged students into higher-level qualifications?

4. What are the risks and benefits of VET providers offering degrees? Should higher education institutions offer VET qualifications?

5. How should VET in Schools be changed to address the concerns over quality expressed by industry and employers? What sort of industry or other expertise should be required for VET in Schools teachers? Should VET in Schools centres of specialisation be developed to ensure quality and depth of offerings?

6. What changes to funding models for VET in Schools may be needed to improve student outcomes and program quality?

7. Should the ACE sector be formally responsible for preparatory and access education leading to VET AQF pathways?

8. How can partnership work between ACE and other VET providers be strengthened?

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[272] Gelade, S, Stehlik, T and Willis, P (2006) *Learning collaborations between ACE and vocational education and training providers: good practice partnerships*, NCVER

[273] Anderson, D (2005) *Trading places: the impact and outcomes of market reform in vocational education and training*, NCVER, cited in Kearns, P, Bowman, K and Garlick, S (2008) *The double helix of vocational education and training and regional development*, NCVER

[274] Seddon, T et al. (2008) *Sustaining effective social partnerships*, NCVER, p. 38

2.6 Balancing responsibilities for investment in a skilled future

The levels and the effectiveness of investment in VET in Australia are critical to sustaining and boosting educational attainment and workforce participation. Supporting a broader role for the sector in workforce development is also crucial to achieving improved skills use and workplace productivity.

In recent years, government, industry and students have together invested over $6 billion annually in the formal VET system.[275] However, this figure largely covers publicly funded training delivered by public providers. It does not include the investment in privately funded training delivered by non-government providers or the less structured, mainly enterprise-based and enterprise-funded VET.

Despite these levels of investment, future funding remains unclear and a highly contested issue. There are issues about the amount of public funding provided by governments and the relative contributions from the various partners—both individuals and industry—in terms of fees or co-funding. Also for consideration are the issues of balancing priorities or types of services eligible for public funding, the unit costs of training and the mechanisms through which funding is allocated.

This section considers the quantum of funding needed, the possible sources for funding and how it might be directed to meet requirements for growth.

Whatever the allocation mechanism, many believe that VET funding should be based on outcomes. Performance outcomes might include qualifications, foundation skill improvements, skill sets or competencies completed, rather than activity measures, such as the number of students enrolled or contact hours delivered. The issue of performance measures is discussed in section 2.4.

Some states have recently altered their allocative processes by moving to an 'entitlement' model, where funding follows the student to whichever course and provider they choose. The shift complements funding reforms in the higher education sector. This is a change from the prevailing approach of state and territory training authorities purchasing training places from public, private and community providers, based on a 'profile' of planned skills requirements. A rationale for this change is the relatively weak link between the specific qualifications that people acquire and where they end up working. The interests of industry, particularly in specialised occupations, might be addressed through use of caps or incentives as well as more fully developed market intelligence in an entitlement funding system. The balance in market-based mechanisms between an 'industry-responsive' system and an 'individual-responsive' funding model is considered in more detail in section 2.7.

A declining investment

As VET is managed by the states and territories it is hardly surprising that the highest proportion of public funds for VET come from state and territory governments. However, the proportion of their contributions to total revenue fell from 56.7 per cent to 50.5 per cent between 2001 and 2008. The Australian Government also makes a significant contribution to funding, accounting for over 20 per cent of total VET revenue. However, over this same period Commonwealth expenditure as a proportion of total revenue only increased by 2 per cent.[276]

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[275] Noonan et al., *Investment in VET*

[276] Preliminary analysis of NCVER (2010) *2009 Financial information*, indicates a 9 per cent increase in operating revenues over 2008 (CPI adjusted). The Australian government proportional contribution to operating revenues in 2009 rose from 24 to 27 per cent of the total largely due to the increase from the Productivity Places Program. State and territory proportional contribution fell from 50.5 per cent to 47.4 per cent.

Student fees are a fairly minor contribution to overall TAFE expenditure at around 4.5 per cent.[277] Despite considerable increases in individual tuition fee levels, in some states the overall contribution made by student tuition fees did not change significantly over the period. This is possibly explained by the large number of VET students who pay reduced fees for access and equity reasons.

The biggest income increases over the period came from fee-for-service activities. These rose from 11 per cent to 16 per cent (Figure 11).[278] It is estimated that around 30 per cent of fee-for-service income is from international activities, rising from $145 million in 2004 to $280 million in 2008.[279]

Figure 11: VET revenue sources as a percentage of total revenue, 2001 to 2008

	2001	2002	2003	2004	2005	2006	2007	2008
Ancillary trading and other	6.1%	6.2%	5.9%	5.6%	4.9%	5.2%	4.4%	4.8%
Student fees and charges	4.4%	4.5%	4.3%	4.9%	4.7%	4.6%	4.4%	4.5%
Fee-for-service	10.8%	10.9%	11.5%	11.1%	12.7%	13.8%	14.3%	16.0%
Australian Government	22.1%	22.1%	22.5%	24.6%	23.4%	23.2%	25.0%	24.3%
State/territory government	56.7%	56.3%	55.8%	53.8%	54.4%	53.2%	52.0%	50.5%

Source: Noonan, P, Brown, J, Long, M, McKenzie, P and Chapman, B (2010) *Investment in VET*, unpublished paper for Skills Australia

While the fall in the states' contribution is noteworthy, so is the drop in unit costs of student contact hours delivered from 2004 to 2008 in New South Wales ($15.15 to $12.54) and South Australia ($16.66 to $13.99).[280] It could be contended that this drop was an efficiency gain as these states began to match the performance of Victoria, the most efficient state at $12.02 per contact hour.[281] However, if the goal is to improve overall outcomes and increase participation, as this paper argues, this might be difficult to achieve if unit costs continue to fall.

[277] ibid.
[278] ibid. However, it may also include contestable state-funded activity that was tendered out and 'wrongly' coded by providers to their fee-for-service income
[279] NCVER (2009) *Financial information 2008*, supporting data, CPI adjusted 2008 dollars
[280] Noonan et al., *Investment in VET*
[281] ibid.

Figure 12: Government recurrent expenditure per publicly funded annual hour, 2004 to 2008

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	National
2004	15.15	12.58	15.89	15.34	16.66	14.88	15.29	24.95	14.80
2005	13.97	13.05	14.91	15.75	15.52	15.11	16.71	26.58	14.39
2006	14.01	12.86	13.76	16.23	16.23	14.89	15.59	22.11	14.04
2007	13.25	12.12	14.86	15.45	15.45	14.61	15.37	21.09	13.62
2008	12.54	12.02	14.83	13.99	13.99	14.12	15.96	21.75	13.10

Source: Noonan, P, Brown, J, Long, M, McKenzie, P and Chapman, B (2010) *Investment in VET*, unpublished paper for Skills Australia

Overall, increases in fee-for-service income have not offset declines in other streams. VET enrolments have not increased dramatically, so it might be suggested that the system is in equilibrium. However, it is a theme of this paper that Australia needs more skills and thus more enrolments in tertiary education courses to meet future national needs. The relative success of recruitment into the Productivity Places Program in the last two years demonstrates that more funding can lead to more enrolments. Recently there also has been increased student demand and more enrolments in higher education programs. The global financial crisis, reported skills shortages before and after the crisis, and the new entitlement model in higher education have all been cited as contributors to this increased activity.

International education

The status and growth of international education, especially in vocational education, is undergoing a period of recalibration after a time of rapid expansion. International activity is vulnerable to external shocks like the SARs infection and the global financial crisis that might prevent international students coming to Australia. Income from international activity is thus potentially a major risk for the system if too much reliance is placed upon it.

Australia has been successful in building international education, and in 2009 it was the third largest export industry generating a total of $18.6 billion in export income.[282] Vocational education and training delivered to overseas students has been substantially increasing. There were over 232,000 VET enrolments in 2009, representing a growth rate of 33 per cent on 2008 figures. This was slightly lower than the average annual growth rate of 37 per cent since 2005.

At present, many Australian international education providers are dealing with a sharp downturn in new student numbers.[283] A downward trend is likely to emerge as immigration statistics

[282] DEEWR (2010) *Export income to Australia from education services in 2009*, Research Snapshot
[283] Ross, J (2010) 'It's hello small Australia as India says goodbye', *Campus Review*, 2 August

indicate a sharp drop in 2010 VET student visa grants of around 30 per cent over 2009.[284] The scale of these recent expansions and contractions raises important questions about how we envisage a future for international education and, importantly, the VET sector's role in it and income derived from it.

International education has been recognised by the OECD as a critical element in building the necessary skilled workforce for the future.[285] Strengthening the skilled migration program and overseas student program was seen by successive governments as instrumental in contributing to Australian economic growth, particularly in the context of skills shortages, an ageing population and global competition for talent.[286] Skills Australia, through work commissioned from Access Economics, has determined the ongoing importance of skilled migration in contributing to our overall skill needs. International education has also been seen as playing a role in meeting Australia's foreign policy goals and the educational requirements of neighbouring countries.

On the other hand, there has been concern about the viability and sustainability of this growth as a source of funding. Issues that arise include:

- whether the nexus between education and migration undermines the integrity and quality of the education offer
- the degree to which providers rely on international students and the consequences for providers and students in managing economic and policy changes
- the cost of the regulatory aspects of the international education market. For instance, VET provision of services to international students is dominated by private providers, who accounted for nearly 85 per cent of commencements in 2009[287]
- the risk that providers would opt to provide courses to full-fee-paying international students to the detriment of domestic students.

Sharing the cost of future investment

If we assume demand for VET skills from individuals and employers can be increased to contribute to the 3 per cent per annum increase in tertiary education qualifications that Skills Australia believes necessary to maintain economic growth, then who will fund this increase?

Few would assume that it can all come from governments. Many states and territories have tight budgets to manage with many competing priorities. The current Australian Government is also committed to eliminating its budget deficit. In *Australian workforce futures,* Skills Australia estimated that the proposed increase in enrolments would cost an additional $660 million per annum over the next 15 years. From a 2008 base, these increases would be achieved until 2012 with the additional Commonwealth funds for the Productivity Places Program (PPP) and the increases to support the new higher education entitlement model. Therefore, the main issue is finding increases in funding from 2012 onwards when the PPP ceases.

If additional government funding is constrained, there may be three main alternatives. The first is to increase tuition fees. The second is to fund more training from fee-for-service contract training activities. Fee-for-service activity can both substitute directly for public funding and provide 'surpluses' that can be re-invested in the system. A third potential and possibly more contentious option is to introduce industry or employer financing arrangements, such as training levies on industry.

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[284] http://www.immi.gov.au/media/statistics/study/. Student visas granted for VET courses have dropped from approximately 104,064 to 71,942

[285] OECD (2008) *Tertiary education for the knowledge society*, cited in Australian Government, *Review of Australian higher education*, p. 99; Access Economics (2009) *The Australian education sector and the economic contribution of international students*, report for the Australian Council for Private Education and Training

[286] Koleth, E (2010) *Overseas students: immigration policy changes 1997 – May 2010*, Parliamentary Library

[287] DEEWR (2010) *Enrolments by provider type and by state*, Research Snapshot

A case for increased contribution from individuals

Research commissioned by Skills Australia confirmed that VET courses at and above Certificate III achieved a reasonable rate of return for students in terms of their time and money.[288] For a Certificate III, these rates of return varied between 12 per cent and 25 per cent depending on the gender of the student and whether they studied full-time or part-time while working.

Is it therefore reasonable to ask students to pay significantly more than the approximate state annual tuition fee for publicly funded courses of around $700 for a Certificate III and over $1,500 for a diploma-level qualification? The answer is 'probably', if there is assistance available from a deferred payment scheme via an income-contingent loan. For VET students from lower socioeconomic backgrounds these levels of upfront fees would be barrier. In addition, a high proportion of VET students are currently exempt from full tuition fees for equity reasons, so the total increase in revenue from a major fee increase might in reality be quite marginal.

It could be argued that fees for Certificate I and II programs should be low because they are foundation programs and stepping stones to higher qualifications. The rates of return are quite low.[289] They give students a qualification equivalent to senior secondary education, which in the government school system is free or very low cost. An alternative is that they should be low cost (at, for example, $50 per course) rather than free, to discourage early dropout.

Income contingent loans are available to jurisdictions for diploma and advanced diploma courses in VET institutes for fee-paying students. The Commonwealth has recently extended the offer of income contingent loans to students in state-subsidised diploma and advanced diploma courses subject to among other matters, the introduction of a student entitlement. Many in the system support this, although there needs to be particular analysis of the effectiveness this development in encouraging increased participation by students from low socioeconomic backgrounds. Others are concerned that the availability of income-contingent loans will encourage providers and jurisdictions to raise fees.

Certificate III courses normally cost less than $850 a year yet have significant rates of return.[290] There may be a case for increasing fees for this level of qualification if Certificates I and II were free and there was no differential increase in price for someone taking a second Certificate III in a different occupational area. Is there any case for income-contingent loans for this level of course?

Certificate IV programs could probably be treated the same in fee terms as Certificate III programs—however, where they are embedded as the first year of a two-year diploma course they may need to be treated like diplomas.

The picture that might emerge is courses in VET up to Certificate II would be free or very low cost. For Certificates III and IV there would be an upfront tuition fee. Diplomas and advanced diplomas would have a higher fee but have access to income-contingent loans. There would also need to be agreement on what a reasonable fee for diplomas would be, perhaps set nationally, even though students have access to a loan. Exemptions from or concessions to fees at Certificate III and IV would still apply to the unemployed and others in receipt of social security payments. It could also be argued that all students who have not undertaken a secondary education program or the vocational equivalent of a secondary education program should be fee exempt because these are free in the public school system.

The OECD, in its thematic review of VET, found substantial inconsistencies in the levels of fees and other charges across Australia.[291] A new Commonwealth–state funding agreement might have as one of its objectives achieving greater consistency in tuition fee levels and resource

[288] Noonan et al., *Investment in VET*
[289] Long, M and Shah, C (2008) *Private returns to vocational education and training qualifications*, NCVER
[290] ibid.
[291] Hoeckel et al., *Learning for jobs*, p. 18

allocation processes generally—in other words, a national system of fees, industry contributions and funding for VET. There is also the option of the Commonwealth taking over responsibility for all or a larger part of the funding of public VET. Though this might enhance consistency and simplicity, it would require the agreement of jurisdictions that see VET as a critical part of states' economic development strategy and have reasons to set fee and funding arrangements to suit regional priorities. Another perspective is that uniformity can stifle innovation and responsiveness and that individual providers should be able to set their own fee levels.

A lesson from the UK

In the United Kingdom, further education colleges have the freedom to charge more than the 'assumed fee'[292] for publicly funded places. In fact most charge considerably less because of perceived competitive pressures. Their funding model assumes that students aged over 19, who are not fee exempt for equity reasons, will contribute 47.5 per cent of course costs. This has progressively risen from 25 per cent over the past few years. The funding bodies make an estimate of fee income and then net this off from allocations to colleges.

A recent inquiry found that few colleges charge anything like full fees, and when the contribution was set at 25 per cent many charged their students less than half this. Colleges found that by over-enrolling they could compensate for a loss of student fee income. Having 20 students in a class paying nothing raised the same income as having 15 students paying partial fees. The UK government is now encouraging colleges to raise more fee income, as it believes a loss of fee income is negatively affecting quality and the scope of provision. It will be interesting to see if publicly funded providers in the UK offering the same course accredited by the same awarding body will attempt to compete on quality rather than price in the highly competitive markets found in large urban centres.[293]

The contribution from enterprises

Fee-for-service income has increased in VET. However, fee-for-service training programs are often competing with publicly subsidised alternatives in the domestic market. The publicly subsidised market sends out some strong price signals that make full-fee work seem very expensive even though it might be customised in terms of content and delivery to the needs of a particular enterprise.

If an entitlement model for individual students was complemented by an employer-responsive stream for enterprises, it could open the way to more co-funding between employers and government. Work by Gassov describes various international approaches undertaken in government–employer joint financing arrangements for training.[294] They include reimbursable training expenditures; tax incentives or subsidies; co-financing of educational leave; voluntary industry funding through the creation of sectoral training funds; and compulsory arrangements, such as levies (or levy exemptions) to secure specific levels of industry investment.

The Enterprise-Based Productivity Places Program is an example of one approach which, although yet to be evaluated, has had significant take-up by employers. It has a sliding scale of contributions ranging from 10 per cent to 50 per cent of total cost depending on the number of employees the enterprise has. A co-funded model of enterprise-responsive training might be more effective at increasing employer-based initiatives than solely relying on an increase in fee-for-service activity. Initial funding for an enterprise-responsive stream might come from reprioritising funding for existing-worker traineeships. These have in the past been criticised for being more of a wage subsidy than a training program.

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[292] The actual Higher Education Funding Council for England grant + assumed fee income
[293] Banks, CN (2010) *Independent review of fees and co-funding in further education in England*
[294] Gassov, V (2002) 'Industry support for training: an international perspective', CEET 6th National Conference, Monash University, Melbourne

A public subsidy for this type of activity might be justified if it were only to apply to training that meets training package competency requirements, is externally validated and is part of an articulated enterprise workforce development strategy. This would guarantee some 'value add' on fee-for-service activity.

This is not to say providers should not pursue market opportunities for full-fee work at home and overseas. Public providers could also be given income targets for fee-for-service work. This has echoes of the Scott report on TAFE NSW in the late 1980s, which suggested the public TAFE system should be 50 per cent self-funded.[295] While externally set targets can be a powerful tool, they probably become less necessary the more financially autonomous providers become, because market incentives are then in play.

Finally, in terms of income streams, industry levies have been tried with mixed success. The training guarantee levy of the early 1990s failed partly because it was too easy for firms to meet their obligations through expenditure on marginal activities. Levies in the building industry—where the general use of subcontract labour arrangements can discourage direct employer investment in training—have been more successful. Levies probably work best in industries like construction where there is less direct employment of labour that makes long-term 'in service' training more obviously problematic. Industry levies may also work best when a representative industry body controls the disbursement of funds, as is the case in the building industry.

Determining priorities for public funding

The case for public funding to be based more on outcomes like competency or course completions, or even students retained in the system, seems strong. In many states, funding is currently determined on the basis of targets for enrolment and student contact hours. This could be encouraging activity and volume rather than outcomes—although many states do take back funding from providers on the basis of student dropout rates and/or non-achievement of targets for annual curriculum hours.

A shift to outcome-based funding may present initial cash flow difficulties to some providers and would have to be managed carefully. There would need to be a system of staged payments with the final payment being based on achievement of the agreed outcome. There would also need to be a weighting for providers with high numbers of students from disadvantaged groups.

The Bradley review recommended an entitlement-based funding model for higher education. This was adopted by the government but was limited to universities—other private higher education providers were largely excluded. The Victorian Government has adopted, and the South Australian has proposed, a similar model for VET but covering both public and private providers. Features of the model include low fees for Certificates I and II with comparatively high fees for diplomas and advanced diplomas, but with income-contingent loans through the extension of FEE-HELP arrangements.[296]

Probably the most contentious part of the new arrangements is the adoption of a principle of 'firstness'—that is, entitlement funding will only apply to the first course at a particular level. An electrician who already has a Certificate III could not immediately do a second Certificate III in, say, a business qualification at a publicly subsidised rate.

As a means of rationing student demand to ensure systems do not run out of money, 'firstness' may be a reasonable principle, as the subsidy is allocated to the student who has not already received one. However, 34 per cent of Australians aged 15 to 64 already have a qualification and a further 23 per cent have multiple qualifications.[297] Currently over 26 per cent of VET students undertaking AQF courses already have a qualification at or above the level at which

[295] Scott, B (1989) *TAFE restructuring,* Management Review, NSW Education Portfolio, Sydney.
[296] Noonan et al., *Investment in VET*
[297] ABS (2010) *Education and training experience 2009*, cat. no. 6278

they are studying.[298] On this basis, many individuals might come into the ambit of full fees. In an era when the economy and an individual's circumstances can change rapidly, firstness might be a major barrier to meeting skills needs. The ABS notes that gaining a second or third qualification was associated with a new job or career change but also with performing the same job to a higher level and with additional skills.[299] It could also have a big impact on providers.

Possible solutions to the firstness issue include a time limit of, say, seven years before a second publicly subsidised course can be taken. Alternatively, a higher fee could be charged for all courses at a particular level but exemptions or concessions would only apply to the first course. The Victorian Government entitlement model has a special allocation to subsidise eligibility exemptions for 'second' qualifications on a case by case basis for career shifters, those seeking training in nominated priority skill areas and also for individuals experiencing labour market disadvantage such as a forced redundancy.[300]

In a purchaser–provider model, the price paid to the provider can be set through a competitive tendering process. This has led to complaints in the past that contracts have been awarded on price rather than quality. In an entitlement system, the funding body sets the price of a student place in advance. Weightings can be paid to accommodate geographic factors and to accommodate students who might have additional needs. Funding bodies will obviously want to ensure the price is fair, provides value for money and is reviewed regularly.

Discussion questions

1. What is the best means of raising revenue to expand the system? What are your thoughts on—raising tuition fees, with income-contingent loans for higher cost, higher-level programs for individuals; increased co-funding of programs for employers; the advantages or disadvantages of an industry levy to partly fund training?

2. What potential benefits or issues do you see if public funding to providers were to be based on outcomes such as qualification and competency completions?

3. Could entitlement funding be combined with outcome-based funding? If so, how would this work?

4. Should there be an 'enterprise-responsive' funding stream that is co-funded by government and enterprises to support enterprise-directed workforce development activities? If so, what criteria should be applied to receive funding?

5. Should tuition fees for publicly funded courses in VET be set nationally as part of a new Commonwealth–state funding agreement?

[298] NCVER VET collection, *Students 2009*: previous highest qualification level by current qualification level: if Year 12 completion is considered equivalent to Certificate III as proposed by the AQF review, this figure rises to 40 per cent.
[299] ibid.
[300] See also the Victorian Government's response to the Ernst & Young *Review of the implementation of Securing jobs for your future-Skills for Victoria,* September 2010. Apprentices will also have access to government funded places regardless of the level of prior qualifications, http://www.diird.vic.gov.au/diird-strategies-and-initiatives/securing-jobs-for-your-future-review

2.7 Governance for the future—establishing foundations for growth

In its 2009 position paper *Foundations for the future*, Skills Australia articulated its position on preferred governance arrangements for the VET sector. Since then, a number of national developments have been put in place to streamline the structures in the tertiary education system, especially in relation to policy, funding and market frameworks. Notable among these are the establishment of new national regulatory arrangements for VET and higher education; the establishment of a single Ministerial Council for the sector; the introduction of demand-driven funding for higher education; COAG agreements on youth and other entitlements to training; and the broadening of approaches to funding models for VET in a number of jurisdictions.

Despite these developments, stubbornly longstanding and complex governance conundrums remain. These derive from the 'complex web' of governance described by the OECD, including 'the legislative framework, the characteristics of the institutions and how they relate to the whole system, how money is allocated to institutions and how they are accountable for the way it is spent'.[301]

Key questions arising in the Australian VET governance context include:

- How can the Australian Government and state and territory governments best share responsibility for the VET sector to ensure policy coordination and the sector's ability to grow and achieve necessary qualifications outcomes, workforce participation and skills use?
- Do current governance structures and funding arrangements create an environment that best enables COAG's ambitions for a highly skilled Australia to be reached? Are market signals simple and encouraging for consumers and providers?
- Are providers and particularly the public TAFE system, as the major recipient of public investment, well positioned to respond to a changing VET business and funding environment?
- How can the interests of industry be safeguarded in governance and funding arrangements so it has the skilled workforce it needs for the future?
- Are there weaknesses in the tertiary education framework that may give rise to unhelpful distortions in the relative roles of VET and higher education?

Intergovernmental roles

The VET system in Australia is managed through shared Australian Government and state and territory government legal and funding responsibility. States and territories provide just over half the revenue for government-funded training and the Australian Government about a quarter through the National Agreement for Skills and Workforce Development. Beyond the agreement, the Australian Government makes a larger, and growing, contribution to employer incentives, adult language, literacy and numeracy and student income support.[302]

The sector has many attributes of a cohesive national system: nationwide standards, regulation and qualifications; agreed training content and outcomes in the form of training packages; and national intergovernmental funding agreements, principles and reform directions. It also has comprehensive sources of industry advice through national Industry Skills Councils and an apprenticeship system underpinned by national employer incentives and contracts of training. Governance arrangements in states and territories have many common characteristics—not least of which are state and territory training authorities and industry advisory arrangements.

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[301] OECD (2003) *Principles of corporate governance*, p. 61
[302] Noonan et al., *Investment in VET*

Within these national frameworks states and territories pursue their specific regional priorities and targeted strategies for industry and community development, using vocational education and training investment as one of a string of levers to exercise their influence over better social and economic outcomes.

Notwithstanding these national characteristics, a proposition for discussion is whether action to accelerate a more responsive system has been held back by the complexities of shared Commonwealth–state responsibilities for funding and competing policy agendas. Recently, reforms have proceeded under the steam of a series of COAG agreements, the latest driving force and vehicle for national initiatives. But the direction and pace sometimes falters, depending on the volatility of funding and policy change. Some say federal arrangements will be 'ever thus'. The point is whether Australia, faced with significant demographic and skills challenges, can continue to risk giving mixed signals to individuals and enterprises through uneven, arguably confusing or slow-paced reform played out through intergovernmental negotiations. A tension in this, however, is whether increased harmonisation of a national approach for VET might lead to a 'lowest common denominator' in reform directions.

Skills Australia sees the development of the next intergovernmental National Agreement for Skills and Workforce Development as an opportunity to focus on new priorities for the VET system. These might include:

- strategic vision and growth: There is unclear accountability and commitment for growth of the system—evidenced by static or declining government funding in a number of states and varying approaches to public subsidies and fees. The apprenticeship and traineeship system suffers from a lack of clear ownership and vision for its revitalisation. It carries the complexity of former industrial architecture and inconsistency across jurisdictions. Hours of training, for instance, vary significantly between the jurisdictions, causing difficulty for some employers and individuals
- quality and regulation: Quality and consistency of outcomes is variable and in many instances lack industry confidence. A national regulatory body will be established, but with two states maintaining state regulatory apparatus. In spite of the tightening of AQTF standards, some argue the thresholds for RTO entry, expansion and access to public funds are low and capacity to sanction performance of over 4,800 RTOs is limited. Public disclosure of regulatory outcomes is largely limited to statutory reporting
- workforce development policies and programs: Initiatives have gained traction in a number of states but are not evident in a concerted national policy and investment strategy. The Australian Government's major investment in upskilling the existing workforce remains employer incentives for apprenticeships and traineeships. Trials of training subsidies to enterprises have occurred to broaden access to publicly funded workplace delivery linked to productivity and organisational developments. However, funding 'entitlements' for enterprises for workforce development, outside of the apprenticeship system are not well developed. They may also be dependent on jurisdictions' policies and the practices of individual institutions
- transparency and information: As described in section 2.4, there is limited information available to the public about the quality of outcomes achieved by either publicly or privately funded VET, or the quality of providers. While there are a number of large-scale surveys undertaken about the system as a whole, little objective information is available on specific providers
- tertiary sector integration: While a Ministerial Council for the tertiary education and employment sector has been established, this is scarcely mirrored in states. In most cases sectoral collaboration and articulation are individually negotiated at the institutional level.

Balancing national consistency with flexibility in governance arrangements

A new intergovernmental agreement will need to determine the circumstances where national consistency is highly desirable and those where local initiatives, innovation and experimentation are preferred and where diversity of responses is required. Just as VET is critical to national economic growth, it is crucial to state and territory governments' economic strategy and regional development. Some state governments from time to time will want to give VET or some aspects of VET a higher priority than others and use particular strategies or incentives to do so.

Assuming that responsibility for vocational education and training continues to be shared between governments, all parties need to consider how this shared responsibility can be better exercised. This could involve identifying which aspects or functions of VET should be the province of one or the other level of government, or could involve joint decision-making arrangements.

Suggested features for discussion of functional responsibilities shared between Australian and state and territory governments include:

- policy, planning and strategic leadership—shared responsibility
- standards, quality assurance, public confidence and accountability—national level
- funding—shared funding arrangements based on a national outcome agreement
- investment—shared responsibility for consistency in public subsidy, and relative levels of individual and enterprise contributions
- income support and employer incentives—national level
- market mechanisms—a shared framework for development of principles for entitlements, barriers and incentives
- resource allocation—state/territory level, including determination of market risk and mechanisms to avoid failure
- incentives—state level, but in coordination with the Australian Government
- infrastructure—shared responsibility
- ownership of TAFE and employment of TAFE staff—state/territory level
- operations—state/territory level.

Skills Australia is cognisant that a one-size-fits-all approach to governance in the VET system is not appropriate. Nonetheless, simplicity, transparency, agreed principles and outcomes, and removal of confusing inconsistency are of great value to users of the system. They are a feature of governance reforms occurring elsewhere in Australian legislative and administrative domains. Moreover, the future potential of the sector and its contribution to the national agenda of participation and productivity requires a concerted federal policy consensus if the strategies and outcomes Skills Australia has mapped are to be achieved.

Suggested features for discussion of a new intergovernmental consensus and policy platform for the invigoration of the VET sector and clarification of its mandate include:

- agreed national objectives for the VET sector as an agent in:
  - increased workforce participation
  - skills deepening
  - skills use, workforce development and productivity
- definition of the sector's remit in serving individuals, enterprises and communities
- a plan for the sector's development, and differentiation, within an integrated tertiary sector

- arresting declining investment and committing to growth
- determination of sources of future investment and the relative responsibilities of governments as owners and individuals and employers as beneficiaries of the system
- a national investment framework including eligibility for publicly funded training places
- a national reform agenda on workforce development incorporating the use of incentives to deepen worker skills and link these to enterprise productivity
- a national reform agenda for streamlining, modernising and increasing the flexibility of the apprenticeship and traineeship system as a key plank of workforce development
- recognition and support for a broader and changing role for providers and VET professionals.

The investment framework

Current reform directions

In the VET sector, states and territories have for some time been introducing contestable investment models at varying speeds,[303] moving away from purchaser–provider models to approaches where funds follow students. This has accelerated recently with the South Australian 'Skills for all' proposals, which extend the existing commitment to achieve 50 per cent contestability by 2012 to the introduction of a full student entitlement/demand-driven approach over a transition period.[304] The Australian Government has stimulated these changes through policy and funding incentives such as VET FEE-HELP and recent budget announcements of the National Entitlement to a Quality Training Place program.

A recent Treasury brief makes reference to the need for intelligent use of market–based mechanisms in the VET sector to overcome 'supply–side constraints that prevent providers from responding effectively to shifts in student and industry demand'.[305] At the heart of decision-making about investment reforms is how to align principles for public subsidy of training with desired social justice and economic policy outcomes of skills deepening, workforce participation and ensuring industry's skill needs are met.

An entitlement system in general terms allows students to choose their course and provider based on their perception of their future skills needs. However in practice it is being implemented in different ways in different jurisdictions. The system assumes students will make informed and rational decisions and choose courses with good employment prospects. It further assumes student choice will align with industry demand for qualifications because students will not choose courses that lead to poor job outcomes.[306] Whether or not these assumptions are correct, the focus of funding remains on the individual student—as it does with most current funding arrangements. This funding could thus be termed 'individual-responsive'.

However, enterprises can have different retraining or upskilling needs than individuals. Some of this training is currently funded by enterprises themselves, purchased from training providers that suit their needs. To support overall workforce development needs, and to ensure industry's needs are met within an entitlement system, there may be a case for government to fund or co-fund an 'enterprise-responsive' funding stream that supports accredited training linked to workforce development activities within enterprises. This would be directed by employers in consultation with their employees. An example of this, the Enterprise-Based Productivity Places Program, was discussed in section 2.6. A further enhancement may entail the use of incentives or other funding

[303] The Victorian Training Guarantee was announced in 2008; Western Australia has committed to increasing the proportion of training delivery allocated through competitive processes to 50 per cent by 2012; Tasmania by 30 per cent
[304] South Australian Government (2010) *Skills for all*, www.dfeest.sa.gov.au
[305] Australian Treasury (2010) *Treasury incoming government brief – Red book,* Attachment F p.13 and p. 34
[306] Skills Australia's approach to establishing its specialised occupation list (SpOL), is provided in *Australian workforce futures*, Appendix 3, p. 83. It found that for most occupations there is no clear link with any specific qualification. Instead, most occupations require generic skills p.20

levers for specialised occupations, in combination with a student entitlement system, to ensure specific occupations have sufficient graduates.

Avoiding market failure

A key issue of national importance in a student demand driven system is how risks of market failure are to be averted and quality of outcomes assured. Market effectiveness is of particular relevance to industry and regions having confidence that their needs can be addressed.

In higher education, the Australian Government has stated that disciplines of national interest or areas of study of notable or enduring educational merit will be maintained in the demand-driven system.[307] Balancing the interests of individuals, employers and industry is a central consideration. Analysts have made the point that, to a great extent, the labour market generally satisfies its skill requirements.[308] But there are critical skill areas where risks exist of market failure. Industry representatives have expressed reservations about demand-driven funding led fully by individual choice. Some have cautioned strongly against this development. 'By placing the purchasing decisions in the hands of the student ("the product" in the training system), the employer relationship with the system will be rendered all but irrelevant.'[309]

Addressing rural and regional community and industry interests is a further consideration. Industry has emphasised that a timely and adequate local supply of skilled workers must be available to meet the needs of employers operating in remote and regional locations.

> The managed market must ensure that safety nets are included to meet the skill depth and demands where industry based thin markets occur. The attainment of these 'more expensive' skills should not be put at risk via a market that seeks to deliver lower costs via high throughput qualifications driven by student demand and institutional ease of delivery.[310]

Labour market analysis tempered by industry intelligence and advice is an important feature of an effective market along with informed choice by individuals. Governments may wish to discourage over-delivery in areas where job opportunities are very restricted and provide incentives for training in specialist areas in order to ensure industry's needs are met and skills gaps are averted. The specialised occupations criteria and methodology developed by Skills Australia might serve as a framework for such interventions.[311] In an environment of finite government funds, mechanisms such as caps and incentives may be important to ensure 'public good' interests in the best use of available investment.

Are VET training market reforms too complex?

Balancing national consistency with regional flexibility is a further point for discussion. Some suggest a highly variable approach to entitlement-based funding systems is emerging across the post-compulsory and tertiary education landscape in Australia. Noonan comments that this 'patchwork of eligibility and entitlement arrangements means that students may be treated quite differentially, based on the choice of course and sector, regardless of their personal and broader social and labour market needs'.[312] Differences are already evident in the funding environments of the higher education and VET systems. There are also complexities appearing in how various state eligibility guidelines for publicly subsidised places will treat new entrants to study, or those with existing qualifications. Ambiguities are surfacing about the levels, boundaries and limits of public subsidy; capping and/or incentives; and entry barriers for poor-performing

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[307] Australian Government, *Transforming Australia's higher education system*, p. 19
[308] Richardson, S and Teese, R (2008) *A well-skilled future*, NCVER
[309] Hart, J (2010 forthcoming) 'Is there a future for the V in VET?' in Ryan, R (ed) *The future of VET: a medley of views*, NCVER
[310] ForestWorks (2009) submission to Skills Australia review of VET system governance
[311] Skills Australia, *Australian workforce futures*, pp. 20–21 and Appendix 3, outline the criteria and methodology for specialised occupations where planning activity is best targeted
[312] Noonan et al., *Investment in VET*

providers, to guarantee high-quality provision. Individual students and industry may see this diversity as inequitable or unnecessarily complex, with the potential to increase business costs. Others suggest that the variation across regions is appropriate because it arises from the different regional conditions and priorities occurring across states and territories.

Protecting broader public interests

A further threshold question is how future investment in public training infrastructure and the maintenance of the physical and intellectual capital of the public training sector is managed within a demand-driven funding model. Price weighting of payments is one way to acknowledge the socioeconomic profile of public providers based on their student cohort or region of operation. Alternatively, or additionally, entitlement-based funding might be complemented with mechanisms that guarantee 'base funding' as part of institutional or community compacts with public sector providers. Such arrangements might protect the public good element and be structured according to institutions' responsiveness to the broader social or economic development needs of their communities and regions.

Another key question is how funding models can reinforce improved quality of provision—moving poor providers out of the marketplace, sending high performance and quality signals to users and minimising misuse of public funding. Restrictions to market entry could apply. There could be price incentives for 'full service' capability including scope and experience of delivery; workforce capability and student support infrastructure; effective industry and community networks; and experience in or track record of quality delivery such as completion rates and graduate outcomes. Penalties could also apply to weed out poorly performing providers.

In short, the investment reforms being undertaken by some jurisdictions and stimulated through a number of Australian Government programs present significant promise—and also risk. They need to be fully developed and evolve at a more sophisticated and comprehensive level—cognisant of VET and higher education market interrelationships.

The principal issues to be considered at the national level involve how best to mesh regional social and economic objectives within a simple and transparent national investment system.

Shaping the investment framework

Suggested features for discussion include:

- a consistent national approach to individual entitlement to training, with subsidies greatest at foundation and lower-level qualifications with the least financial return to individuals. This could be supplemented at higher levels of qualifications by the use of income-contingent loans available for diploma and above qualifications
- application of caps and/or incentives to mitigate over- or under-supply. This would be informed by labour market intelligence of future forecasts, based on analyses by Skills Australia in collaboration with state and territory training authorities and industry
- establishing a 'level playing field' of eligibility for and limits to entitlements for new entrants to training and those seeking retraining at the same qualification level based on age and former educational achievement
- establishing an enterprise-stream entitlement for whole-of-workplace services, packaging workforce development, business development and specific skills training for existing workers, particularly technicians and tradespeople (that is, beyond entry-level apprenticeship contracts). The level of subsidy to enterprises might vary depending on workplace development plans, firm size or other circumstances
- enabling specific community, sector or regional strategies. Some skill issues need multi-faceted solutions or integrated actions across government and partners. Earmarking of funding mechanisms for regional adjustments or sector initiatives would be a development within the demand-driven system and could be part of service compacts with the TAFE

sector or full-service providers

- continuing investment in the renewal and maintenance of public infrastructure. This could be achieved by maintaining a core of base funding to protect the public good or community and regional development role of VET
- applying restrictions on providers' eligibility to provide publicly subsidised training based on performance or risk criteria
- increased quality and performance information to inform and steer individual and enterprise choice.

Skills Australia is also seeking comments about how a national entitlement system might operate. Some key questions include:

- should the entitlement to a government-subsidised place be universal—that is, available to new entrants to training as well as those retraining at the same level, or those upskilling?
- should governments prioritise or place limits on subsidised places? How would priority be assessed—age, first or entry-level qualifications, foundation skills, industry or community restructuring, specialised occupations and/or industry-identified need?
- how should funding flow? Should it follow the student to the provider of their choice? Or should a funded or guaranteed place be available at nominated providers?
- should only certain courses or levels of courses be substantially funded? What guidelines might be put in place—an individual's capacity to pay, the return to the individual, industry or regional need for the qualifications?
- how can individual and industry interests be balanced in an entitlement system? Should caps and incentives operate to limit or encourage the number of qualifications produced in certain occupations?
- could an enterprise-responsive funding stream balance individual funding and support employer-sponsored workforce development?
- how can any risks of distorted qualification outcomes or market failure—at regional or sector level—be averted?
- what should be the basis for determining cost sharing of a subsidised place between governments, individuals and enterprises?

Freeing up public providers to meet new challenges

A unique strength of the Australian VET sector is the very close connections between learning, employment and the economy. The VET sector is unlike any other in its heterogeneity and complexity. Among the 4,800 providers, its principal institutions include the traditional 'technical colleges' which have grown out of government departments, operating within a public administration framework. The public–private interface is intensively manifested in the sector with the presence of over 2,000 private providers, almost 1,300 industry/enterprise providers and over 400 community organisations.[313] Senior secondary schools are a major site of delivery, as are enterprises supporting work-based delivery.

However, approximately 84 per cent of publicly funded provision is still delivered by the public TAFE system.[314] In scale alone, the system has an extensive geographic and demographic reach with a spread of 1,400 campuses across metropolitan, regional and rural Australia. The total value of TAFE infrastructure is approximately $9 billion.[315] In terms of social capital, the system enables local networks and partnerships across regions and communities through longstanding or new associations with small and large employers and community groups, and provision of

[313] NTIS, Registered training providers by type, report run November 2009
[314] NCVER VET collection, *Students 2009, Hours delivered by the public TAFE system*
[315] NCVER (2009) *Australian vocational education and training statistics: financial information 2008*, table 51

services like libraries and student counseling and support. Like schools and universities, TAFE institutes are large employers and have substantial local presence and standing. As the 'engine rooms for much of Australia's training efforts',[316] the quality, capacity and flexibility of these providers will be a key plank for future national outcomes.

What future governance characteristics of these institutions can best deliver national objectives of skills deepening, increased workforce participation and productivity? On the one hand, the continued health and sustainability of the public sector's contribution will be critical. On the other hand, the freedom for these institutions to adapt to meet more volatile demands in an increasingly competitive market needs to be assured. The sorts of impacts from increased competition that may be anticipated have been noted in the Ernst & Young review of the implementation of the Victorian Training Guarantee[317] and echoed by some institute directors. These include:

- an end to certainty about funding based on predicted enrolment informed by past trends
- highly variable cash flow
- declines in enrolment
- significant shifts in course and qualification profile
- a shift away from an internal focus to seeking out new market opportunities—both in locality and course type
- rapid culture change within the organisation including 'new thinking' at both management and program levels. This includes operational adaptability to deal with issues that have not arisen in the past.[318]

The governance structures of public TAFEs vary from being decentralised institutes operating within government departments with limited autonomy, to being autonomous or semi-autonomous organisations which may operate within dual-sector universities. Or they may be structured as semi-independent statutory authorities with a governing board, sometimes no longer branded as TAFE institutions. From a user's point of view, governance peculiarities are hardly important (although the TAFE 'brand' does give some certainty of government backing or authority).

What does matter is continuing, indeed expanding, opportunities for high-quality, flexible and innovative service when and where it is needed. Alongside the need to ensure long-term investment in training capacity, many existing public institutions will need to work in different ways with community and industry if they are to remain viable and attractive in a more competitive system. Marron notes that there has been an overemphasis on the models of governance and the models of operation of TAFE institutes. He suggests that contextual local factors such as historical and environmental considerations need to be given more weight, including effective inter-relationships with higher education providers.[319]

Transformations in the VET landscape demand that institutions have greater operational flexibility. This is a feature of autonomous higher education institutions and an attribute of more unified tertiary sector governance. A joint statement by TAFE Directors Australia and Universities Australia describes the characteristics of tertiary sector institutions including financial, governance and management capacity.[320]

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[316] The Hon Julia Gillard MP (2009) Big Skills Conference, 5 March 2009
[317] Department of Innovation, Industry and Regional Development (2010) *2010 Review of the implementation of 'Securing jobs for your future- Skills for Victoria'*, Ernst & Young, pp. 5-9
[318] Culpan, P in Mitchell, J (2010) 'Regional TAFE fight back', *Campus Review*, 26 July
[319] Marron, A in Mitchell, J (2010) 'Connected tertiary systems', *Campus Review*, 2 August
[320] TAFE Directors Australia (2010) *A blueprint for Australia's tertiary education sector*; TAFE Directors/Universities Australia agreement, http://www.tda.edu.au/resources/Joint_TDA_UA_agreement.doc

Private training providers strongly argue that no advantage should be given to public TAFE institutions on the basis of their public sector ownership in a more competitive market.[321] On the other hand, the OECD acknowledges that the TAFE system's community service obligations—including promoting social inclusion and community development and ensuring access to services, particularly in thin markets—need to be properly recognised and funded.[322] A middle ground between these two views is perhaps that achievement of national economic and social objectives is not the province of predominantly one sector alone. A further argument is that funding incentives need to be in place to avoid 'desiccation' of services—particularly in regional Australia.

The features of the TAFE system's operational independence cannot be properly understood without acknowledging state and territory governments' responsibilities for:

- social inclusion and regional development, and at times active interventions at the community or regional level (for example, to deal with industry restructuring)
- priorities and specific outcomes for training in certain disciplines and occupations
- return on investment or meeting of revenue targets from the system's commercial operations.

Suggested features for discussion of increased operational independence for public providers are:

- more flexibility in relation to how work is organised, including setting conditions of employment and aspects of remuneration. Increasingly VET professionals are taking on a variety of roles and in widely diverse contexts. But these are often exceptions rather than mainstream practice. Rigid workplace employment arrangements and teacher salary levels can place public providers at a competitive disadvantage in instigating new ways of providing services
- increased freedom to hire staff and let people go, which will be essential to dealing with changing market conditions
- greater ability to generate income and retain surpluses from commercial operations
- greater ability and incentives to manage infrastructure, including retaining commercial rents, managing minor capital expenditure, investing in and/or disposing of assets, and borrowing
- the nature of increased accountability and competitive neutrality in exchange for increased operational flexibility
- the role of the public provider in ensuring regional and community needs are met, especially in thin markets, and how to integrate demand-driven and core funding models to enable this.

[321] Australian Council for Private Education and Training submission to Skills Australia review of VET system governance, Skills Australia, *Foundations for the future*, p. 71
[322] Hoeckel et al., *Learning for jobs*, p. 39

Discussion questions

1. What are the top policy priorities for a new intergovernmental agreement to revitalise the national VET system? How can any weaknesses in shared government responsibility be addressed?

2. What would be the strengths and weaknesses of an entitlement-based funding system for the VET sector?

3. How might public funding be 'rationed' in an entitlement funding model? Is restricting public funding to the first qualification at a particular level desirable? What are the lessons from current market reforms that can inform the direction of future public investment in the VET system?

4. How might funding caps or incentives be used to meet labour market needs for specialised occupations? What principles or features should be adopted in developing the funding mechanisms for vocational education and training?

5. What type of flexibility might TAFE institutes need to operate effectively in a more competitive market? Are any governance reforms needed to increase operational flexibility?

6. How can community service needs, particularly in rural and remote Australia, be protected in a more competitive market? How should they be funded?

3 How you can have your say

Skills Australia welcomes your comments on this discussion paper and your ideas about your vision for the future of vocational education and training. You can either make a written submission to Skills Australia or you can participate in a regional consultation.

3.1 Making a submission

If you would like to make a written submission, there are two ways of doing this:

- you may wish to address some or all of the specific questions in this discussion paper
- you may wish to use the template format that can be downloaded from the Skills Australia website. There will also be an opportunity to provide written feedback at regional consultation sessions.

Your submission can be as long or as short as you like. Where possible, it would be helpful if you could provide supporting information for your views.

Confidentiality of submissions

The submissions we receive may be posted on our website or quoted. We request all those making a submissions to fill in a submission cover sheet to provide contact details and to indicate your position on confidentiality.

The submission cover sheet can be downloaded from the Skills Australia website. Anonymous submissions will be accepted, but are not encouraged, as it may be necessary to contact you to discuss the content of your submission.

Address for submissions

Submissions can be sent by email to secretariat@skillsaustralia.gov.au or post to Skills Australia, GPO Box 9880 Canberra ACT 2601.

Questions relating to submissions

Telephone: Ms Sarah Sutcliffe 02 62409589 or email sarah.sutcliffe@skillsaustralia.gov.au

Closing date for making submissions

The closing date for making a written submission is Friday 26 November 2010.

3.2 Participating in a consultation

Your participation in regional consultations is welcome. Details of the consultation locations are available on the Skills Australia website. If you participate in a consultation Skills Australia will take your ideas into consideration.

3.3 Next steps

Skills Australia expects to make a final report available to the Australian Government and the public in early 2011.

Appendix Recent developments in apprenticeships

The 2010–11 Budget features a number of initiatives in the apprenticeship area. These include:

- funding for increased pre-apprenticeship opportunities
- extension of the Apprentice Kickstart program which saw 25,000 trades apprenticeship commencements over summer 2009–10. Significantly, all apprentices commencing under the Kickstart program will have access to mentoring
- a Smarter Apprenticeships Program providing incentives for accelerated competency-based progression of apprenticeships
- the appointment of an expert panel to advise on the steps needed to sustain and grow a stronger Australian apprenticeships system.

In December 2009, COAG agreed to 10 actions, to be developed and implemented through the Ministerial Council for Tertiary Education and Employment (MCTEE), aimed at improving the apprenticeship system, including to:

- develop and progressively implement a more seamless apprenticeship access, re-entry, deferral and support system with an implementation plan to be finalised and agreed by MCTEE
- develop and implement nationally consistent standards for training plans by December 2010
- work with the Industry Skills Councils to develop and introduce a reformed pre-apprenticeship system with increased opportunities to engage the 2010 senior student and early school leaver cohort in early 2010 and in subsequent years
- undertake an immediate review to re-prioritise apprenticeship and traineeship incentives to better target quality outcomes and commencement and retention of trade apprentices, including consideration of strengthened financial support for trade apprentices in areas of skill shortages
- work with industry to undertake a nationally consistent and targeted communication strategy and messaging to communicate the benefits of the trade apprenticeship system and to strengthen the training and apprenticeship culture and the mutual contribution of the industrial parties and governments to increased participation, employer engagement and quality
- facilitate, in conjunction with industry parties, the necessary agreements, administrative arrangements and support mechanisms to ensure that there is effective implementation of competency based progression and completion for apprentices
- MCTEE to establish an action group prior to the end of 2009, chaired by an NSOC member and representative of jurisdictions and industry, to oversee the implementation of these agreed actions and to report outcomes to MCTEE prior to the end of 2010
- all governments reaffirm their commitment to the 10 per cent objective agreed to at the July 2009 COAG meeting
- all states and territories to strengthen immediately their mentoring and support for out of trade apprentices and those at risk of losing their apprenticeship
- all states and territories to provide regular and ongoing real-time apprenticeship data to NCVER for publication from March 2010.[323]

[323] Australian Apprentices Taskforce (2009) *Final report*, December 2009

Abbreviations and acronyms

ABS	Australian Bureau of Statistics
AQF	Australian Qualifications Framework
AQTF	Australian Quality Training Framework
COAG	Council of Australian Governments
CRICOS	Commonwealth Register of Institutions and Courses for Overseas Students
DEEWR	Department of Education, Employment and Workplace Relations
LLN	language, literacy and numeracy
MCTEE	Ministerial Council for Tertiary Education and Employment
NCVER	National Centre for Vocational Education Research
NQC	National Quality Council
OECD	Organisation for Economic Co-operation and Development
RTO	registered training organisation
SES	socioeconomic status