

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

Skills Australia

Skills for prosperity
a roadmap for vocational
education and training

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Foreword

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

This report puts forward comprehensive reforms for the way the Australian vocational education and training (VET) sector is developed, organised and financed. Our recommendations for its future express an ambitious vision of growth to meet future skills needs and through this, the realisation of improved workforce participation, enterprise productivity and social inclusion.

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

The recommendations are driven by two realities.

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


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

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

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

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

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



Philip Bullock
Chair
Skills Australia
May 2011



Executive summary

Our objective

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

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

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

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

The context

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

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

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



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

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

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

The vision

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

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

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

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



Future directions

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

1 Putting learners and enterprises at the forefront of service

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

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

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

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

New directions include:

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

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



2 Enabling skills use and productivity in enterprises

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

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

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

New directions include:

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

3 Supporting communities: better targeted and coordinated effort

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

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

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

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

New directions include:

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

4 Aspiring to excellence

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

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



New directions include:

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

5 Delivering outcomes and understanding the sector's contribution

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

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

New directions include:

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

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



6 Providing agile and adaptive products and services

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

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

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

New directions include:

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

7 Ensuring better pathways across education sectors

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

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

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

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



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

New directions include:

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

8 Securing prosperity through sustained and balanced investment

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

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

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

New directions include:

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

9 Creating a simpler system

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



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

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

New directions include:

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



Summary of recommendations

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

That Australian governments agree:

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

Recommendation 2: Student financial assistance

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

Recommendation 3: Enabling workforce development

Section 3

That the Australian Government:

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

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

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

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

That the Australian Government:

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



Recommendation 6: Services for employers, apprentices and trainees

That the Australian Government:

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

Section 4

Recommendation 7: Ensuring joined-up services

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

Recommendation 8: Streamline services to reduce duplication and improve coordination

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

Recommendation 9: The role of the public provider in communities

That Australian governments:

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

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

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

Recommendation 11: Regional skills and workforce development

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

Recommendation 12: Building robust national VET regulation

Section 5

That Australian governments agree:

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



Recommendation 13: Implementation of mandatory external validation of assessment

That Australian governments agree to:

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

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

That Australian governments agree that:

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

Recommendation 15: Growing a professional and skilled VET workforce

That Australian governments agree to:

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



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

Recommendation 16: Information transparency and increased outcomes focus

Section 6

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

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



Recommendation 17: Outcomes-based funding

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

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

Section 7

Recommendation 18: Harnessing the learning opportunities of the digital age

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

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

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

Recommendation 19: Redesigning products for the future world of work

That Australian governments agree to:

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

Recommendation 20: A more integrated tertiary sector

Section 8

That Australian governments agree to:

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

Recommendation 21: VET in Schools

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

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



Recommendation 22: Investing in the growth of skills

That Australian governments agree:

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

This commitment is linked to agreement to:

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

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

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

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

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

Recommendation 24: Realignment of governance and service functions

Section 10

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

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

Recommendation 25: Streamlining apprenticeship and traineeship policy and regulation

That Australian governments agree to:

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

Recommendation 26: Enhancing national consistency

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

