



VET: securing skills for growth

August 2016

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About this publication

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Foreword



How we work and the jobs we do are significantly changing; Australia's economic stability is reliant on our ability to rapidly adapt to this disruption and provide the skills needed.

It is a deeply worrying concern that the VET sector is under threat, with drastically plummeting enrolments in government-supported providers and rogue operators threatening the reputation of the sector.

The imminent conclusion of the Commonwealth-State funding agreement for VET, and the fact that there are currently no signs of how or if this will be extended, is similarly a critical impediment to the sector fulfilling its obvious need.

VET is vital in delivering key skills Australia needs now and for the future and has proven itself an adaptive and agile tier of the education sector.

It has already shown that it can be responsive to Australia's skill requirements by increasing the delivery of courses providing qualifications in childcare, aged care and disability care as demand has rapidly increased in the services sector of the economy.

With the right policy settings, this sector is well positioned to meet the workforce challenges posed by digital disruption and automation and continue delivering grassroots skills needed by industry.

However, while there is much talk about the importance of tertiary education and primary and secondary schooling, at present VET is the forgotten middle child in education.

CEDA has undertaken this report because we recognise the importance of this sector and the need to get policy settings right to ensure it continues to support Australia's economic sustainability. This report offers 10 recommendations to get the VET sector back on track.

The key recommendation is that a comprehensive national review of the sector needs to be undertaken to underpin COAG discussions to reach a new National Partnership on Skills Reform (NP), as the current NP will expire next year.

Other recommendations include:

- Improving data and transparency of data to help stakeholders make more informed decisions;
- Shifting from narrowly defined qualifications to broader sets of skills transferable across occupational clusters;
- An increased focus on delivering Certificate III and Diploma qualifications to better align with industry needs;
- Strengthening regulatory oversight and ensuring regulators have the power to act if standards are not being met; and
- Providing national information around providers, pricing, qualifications, audit findings and satisfaction survey results to the public.

I would like to thank the contributing authors and CEDA Advisory Group for their contributions and assistance in shaping this report.

As always, I hope you find this a valuable resource and this publication assists in driving further debate on this important topic.

Ensuring we have the right mix of skills, and an education sector that is adaptive at every level, is vital to our economy and to ensuring that everyone has the opportunity to be a productive part of Australia's workforce.



Professor the Hon. Stephen Martin
Chief Executive
CEDA

Executive summary

The vocational education and training (VET) system in Australia is a fundamental part of our economy, contributing to the productivity and growth of the country through higher workforce participation. The sector plays a crucial role in equipping students with job-readiness, the ability to upskill and training for occupations that are not supplied by universities and other higher education institutions. It has been successful in changing the lives of many students from disadvantaged backgrounds through delivering employability skills.

But it is a sector under threat. Drastically plummeting enrolments in government-supported providers, student exploitation, poor regulation and uncertainty about its future post the expiration of the current National Partnership Agreement on Skills Reform (NP) is heightening fears that this sector will continue to be viewed as the weakling of Australia's education landscape.

The VET sector is diverse. In 2014, there were 2865 private providers, 960 schools, 497 community education providers, 210 enterprise providers, 57 TAFE providers and 15 university providers. Some providers are domestic and specialised, some are large with a diverse student population, some are focused on international engagement while others are regional and remote providers. The system is overseen by the national regulator, Australian Skills Quality Authority (ASQA), although Western Australia and Victoria maintain state-based regulators. There are eight different approaches across Australia to the provision of funding for VET.

Across Australia about four million students are enrolled in the system, although recent figures indicate that the number of students in government-funded vocational education declined dramatically in 2015. Nationwide about 200,000 fewer people had participated in government-funded skills training compared to 2014 taking the number to 1.6 million, with the largest decline in students aged 15 to 19.

While management and commerce have traditionally been the largest fields of study in the VET sector, there has been a drop in the proportion of students studying these disciplines over the past decade. Conversely there has been a rise in the share of students studying society and culture, primarily human welfare studies and services, which includes fields such as aged care, child care, nursing and disability care.

Despite the size of the sector, there does not appear to be much recognition of the contribution of VET in skilling Australia through its strong industry links and its record in providing job-ready graduates. Worse still, there is an implicit assumption in the policy landscape that it is primarily the role of higher education to meet Australia's skills needs. It is critical that the education policy landscape shifts towards recognising and supporting the role that VET plays in meeting Australia's skills needs, including the sector's role as a major enabler of skills for our current and future workforce.

The skills landscape

The current VET system was primarily moulded in the aftermath of the Kangan Report in the 1970s and 1980s and through subsequent reports in the early 1990s. Yet, there is no doubt that times have changed since then – the skills requirement today and the structure of the overall education sector are radically different, while digital disruption is once again threatening the nature of the workforce.

The jobs of tomorrow will require a broad set of transferable skills such as creativity, problem solving and critical thinking, while traditional blue-collar jobs are becoming increasingly technologically focused. At the same time, the services sector's growth will persist as Australia continues to adjust to the end of the mining investment boom. This means that service sector skills will be increasingly important in meeting Australia's skills needs.

Some of the occupations that carry a low risk of being automated in the future fall within the VET domain. These include childcare workers, fitness instructors and occupational therapy technicians. In fact, the VET sector is already responding to the changing workforce needs: as mentioned, there has been a rise in the share of students studying fields such as aged care, child care, nursing and disability care.

While there is much doom and gloom predicted, particularly more recently in the light of falling enrolments, the VET sector has shown itself to be responsive to the skills needs of Australia and it is well positioned to meet the workforce challenges posed by digital disruption and automation provided the right policy settings are implemented.

Funding and quality pressures

Funding for the VET sector is currently sharply in focus. In some states, such as New South Wales, this has been reflected in administrative and funding changes for the TAFE system. But the approach is haphazard, with little consistency across jurisdictional boundaries.

Principles for funding VET were laid out in 2012 in the current agreement between the Commonwealth, state and territory governments that emanated from the Council of Australian Governments (COAG). NP was established, marking a new era for the sector. The agreement sets out the goals and structures of VET funding and reform for the period concluding in 2016–17, and aims to improve transparency, quality, efficiency and access. As part of the agreement, the requirement that restricted the VET FEE-HELP scheme to university pathway VET qualifications was removed.

There is substantial uncertainty about what will happen once the agreement expires at the end of this financial year. There needs to be a clear focus on how COAG might again address this critical contributor to skills development in the face of an economy adjusting to the decline in more traditional jobs and the rise of technology, innovation and computing.

Recent reforms introduced to open up the system have successfully led to improvements in participation, accessibility and choice. However, due to failure of regulation, there have been some unintended consequences, primarily in the form of a number of providers exploiting the system. This has shaken the public's confidence in the viability and quality of vocational education, and in the benefits of contestable markets. Tensions also exist between public and private providers, and between the administrative and funding arrangements for the more traditional public providers.

Some progress has been made to address this issue, particularly in late 2015 and early 2016 with the tightening of some of the existing regulatory oversight. The Federal Government is also currently undertaking a review into the VET FEE-HELP scheme.

Recommendations

A new VET agreement

It is extraordinary that despite the fact that the NP is concluding at the end of this financial year, there has been little said or done about another agreement. It is critical that work be undertaken under the COAG process to decide what the eight jurisdictions will do about the VET system beyond 2016–17 given the sector's contribution to skills and growth. In fact, a holistic VET policy has been sorely missing from the landscape, with VET policy debates tending to be relatively narrow in focus, for example, the redesign of the VET FEE-HELP program.

To this end, COAG should consider undertaking a long-overdue comprehensive, national review of the sector that aims to examine its role in meeting Australia's skills needs. The review would form the basis for COAG discussions towards a new agreement into the VET system once the NP expires.

As part of the review, COAG should:

- Assess the role of VET within the broader education sector, including assessing potential reforms together with higher education; and
- Examine ways to improve the quality of national data that is available to the system to enable all stakeholders to make informed decisions.

A re-think of vocational qualifications

VET qualifications are overwhelmingly based on the concept of competency-based training (CBT), which leads to a set of narrowly-defined qualifications. However, the jobs of the future will require a more diverse set of skills, including creativity, social intelligence, patience, critical thinking and resilience. The VET sector should be equipping students with a broader set of skills and capabilities that would promote mobility of employment and flexibility to adapt to changing workforce needs.

The following is recommended to make vocational qualifications more relevant to the workforce of the future:

- VET qualifications should shift from narrowly-defined qualifications to “vocational streams” or occupational clusters that enable the teaching of a broader set of skills; and
- The VET sector should increasingly focus on the provision of Certificate IIIs and Diplomas to allow the sector to strengthen its labour market connections and work more effectively with students and industry.

Any shift away from the current training packages will require strong industry engagement. As a stepping stone, the first shift could be towards introducing more flexibility into the current training packages.

A tightening of oversight

The VET policy landscape is dominated by the issue of the so-called “dodgy-providers”. While this problem is concentrated among a few private providers, it nonetheless needs to be dealt with. Many of the unintended consequences of the recent VET FEE-HELP changes were primarily a regulatory oversight, along with poor decision making due to lack of information.

It is important that the government’s response to these problems finds the fine line between allowing the sector to continue to be competitive and adaptable to stay true to the spirit of contestability, and ensuring that there is enough oversight to prevent fraudulent behaviour.

Governments should:

- Consider introducing a small upfront fee to provide a price signal for students;
- Introduce a risk-based oversight approach whereby regulators can assess risks based on factors such as student cohorts, provider performance and student outcomes, with regulators given the power to act if standards are not being met; and
- Reduce information asymmetry by making national information around providers, pricing, qualification, audit findings and satisfaction survey results more accessible to the public.

A system focused on quality

When it comes to quality, the risk-based oversight approach recommended above would go a long way in dealing with poor quality providers. However, there are some more specific measures that could be implemented to improve the quality of qualifications more generally including:

- Providing better training for those studying to become VET teachers; and/or
- Ensuring that VET instructors are appropriately qualified and experienced (i.e. have teaching and industry experience).

Contributions

This policy perspective assesses the current outcomes of the vocational education and training (VET) sector and proposes ways the VET system could be improved in order to continue to contribute to Australia's changing skills needs. The contributions focus on evaluating the effects that recent VET system reforms have had on the different types of providers and assessing the sector's performance in meeting the challenge of digital disruption on our skills needs.

Chapter 1: Getting over middle child status

Dr Damian Oliver discusses how the VET sector can get over its neglected middle child status in education policy. He argues that the sector needs to re-examine its qualification design to ensure that training connects with the priorities of the current labour market, which is being disrupted by technology. He concludes that the sector should focus on its core objective of preparing Australians for a wide range of jobs with qualifications that provide students with skills to adapt to an increasingly dynamic labour market.

Chapter 2: Keeping TAFE the VET centrepiece

Linda Simon examines TAFE's importance to industry, communities, rural and regional areas, and its role both as a pathway to higher education and as a second chance provider for many disadvantaged groups. She argues that without a well-funded, high-quality TAFE system, confidence in the VET system will be

eroded. She concludes that TAFE should be re-positioned as the centrepiece of VET, with a clear role that covers the diversity of its student cohort, as well as its industry and community connections.

Chapter 3: Quality and choice: securing Australia's workforce skills

Rod Camm argues that despite the recent controversies surrounding VET FEE-HELP, the VET sector is providing high-quality training with strong student and industry outcomes. He argues that there has been more than 20 years of successful contestability in the sector, while the recent issues have been primarily due to lax oversight; poor program design and implementation flaws; and concentrated among a few providers. He concludes that in addressing these problems, it is important that the benefits of contestability in enabling flexibility and diversity are not undermined.

Chapter 4: Vocational learning in schools – an international comparison

Megan O'Connell and Kate Torii argue that the current VET in school programs have a narrow pedagogy, skewed participation levels, perverse funding incentives and lack employer recognition largely due to limited workplace learning opportunities. By examining the approaches used in Switzerland and Hong Kong, they conclude that a new Australian approach could be to reduce the amount of core content knowledge in order to enable students to develop essential capabilities such as critical thinking in a vocational context.

Chapter 5: The role of industry in VET

Martin Riordan discusses the concerns that employers have around a mismatch between the skills of VET graduates and those required by industry, including that the current training packages have failed to resolve employer and provider complaints about narrow qualifications. He argues that in the process of taking a different qualifications approach, it is important to engage with industry strongly. Giving industry a more meaningful role in the process would enable industry and providers to be committed to ongoing engagement and it would foster partnerships with individual providers.

Chapter 6: VET: finance and quality

Professor Gerald Burke discusses the effects of the four main forms of the funding system (subsidies to providers, VET FEE-HELP loans, incentive payments to employers of apprentices and financial support to students) on the quantity and quality of training. He finds that the quality of VET in the last decade has suffered due to the changes in funding and discusses a series of potential remedies including greater recognition of the roles of the public provider, more control on fees, better training for VET teachers and external assessment.

Acknowledgements

CEDA wishes to acknowledge the input and expert advice from the CEDA Advisory Group in the development of this policy perspective. The CEDA Advisory Group consisted of:

- Dr Rodney Maddock, Monash University Adjunct Professor in Economics; Victoria University Vice Chancellor's Fellow;
- Robin Shreeve, Institute Director, TAFE NSW – Western Sydney Institute; and
- Helen Zimmerman, Chief Corporate Affairs Officer, Navitas.

These distinguished experts provided guidance in the creation of the report and input into the final recommendations. However, the final report is entirely the responsibility of CEDA and of the individual authors.



CEDA overview

Sarah-Jane Derby
CEDA SENIOR ECONOMIST

Education is at the core of a thriving economy and while Australia has historically had a comparative advantage in its highly-educated workforce, this is being eroded. At the same time, the challenge of emerging technologies that threaten to make current and past skills obsolete poses a further threat to our workforce capabilities.

In developing an education strategy that meets the dual challenge of adapting to digital disruption and ensuring our workforce remains internationally competitive, it is important to look at all aspects of the education system, including vocational education and training (VET), which offers training for specific skills, industries and occupations not provided by universities and other higher education providers.

VET is a fundamental and crucial component of Australia's education system and undoubtedly already plays an important role in securing Australia's future skills needs. The sector contributes to productivity by upskilling the workforce but it also plays an important role in increasing workforce participation by giving people the skills to enter the labour force.

The sector has grown more contestable over the past decade, which has led to higher student numbers and improved accessibility and user choice. However, there have also been unintended consequences in the form of student exploitation. Additionally, there are many issues that require detailed scrutiny in determining productive outcomes for Australia's future skills needs, such as: funding models, jurisdictional questions, the role of the Council of Australian Governments (COAG) and the consequences of fundamental and significant changes in the makeup of the Australian economy.

This report seeks to assess the state of the current system, including outcomes from the most recent reforms, and propose ways in which the VET system could be improved in order for it to continue to meet its role as a critical enabler of skills for the future world of work.

“VET contributes to productivity by upskilling the workforce but it also plays an important role in increasing workforce participation by giving people the skills to enter the labour force.”

A brief history

The VET sector has undergone significant changes since its humble beginnings. Prior to the 1990s and until the 2000s, the VET sector was primarily the domain of public providers – TAFE institutions – and had evolved from the landmark 1974 Kangan Report and subsequent papers in the 1980s.

The 1990s marked a period of change with the establishment of the Australian National Training Authority (ANTA) which had the role of leading and coordinating a national VET system, forging close interactions between industry and VET providers and improving links between schools, VET and higher education.¹

Despite these laudable objectives, the sector evolved to become complex and is not currently run through nationally-consistent administration, but rather, via arrangements between the Commonwealth and state governments and other key stakeholders.²

In 2008, COAG initiated major reforms of the VET system with the aim of boosting VET student numbers, including via the promotion of contestability, which saw growth in private provider numbers.³ This was followed by the introduction of the VET FEE-HELP scheme – which is an extension of the existing income-contingent loan, HECS-HELP, to the vocational sector, with a view to improve affordability.⁴ At that time, VET FEE-HELP was restricted to VET courses that provided pathways into university.

The national VET regulator, Australian Skills Quality Authority (ASQA), was established in 2011, although Victoria and Western Australia maintain state-based regulators⁵ with the exception of some types of providers in those states.⁶ As discussed in a recent CEDA report on federalism, the move to a national regulator was to address the fact that differences in state interpretation of provider registration standards led to inconsistencies in the application of the standards.⁷ The regulator's role is to maintain quality through the regulation of providers and accredited courses.

In 2012, the National Partnership Agreement on Skills Reform (NP) was established, marking a new era for the sector. The agreement sets out the goals and structures of VET funding and reform for the period 2012–13 to 2016–17.⁸ It has the aim of improving transparency, quality, efficiency and access. VET FEE-HELP was expanded through the removal of the requirement that it was only available to pathway VET qualifications and it was also extended to some Certificate IV courses.

While the reforms are still under way, there have been many positive outcomes. However, as extensively documented in the media, a small number of private providers abused the system, bolstered by uncapped VET FEE-HELP loans and low barriers to entry into the sector. This led to the exploitation of disadvantaged people, overpriced VET qualifications and skyrocketing VET FEE-HELP loans.

Since then, some inroads have been made to curtail some of that behaviour, particularly in late 2015 and early 2016 with the tightening of some of the existing regulatory oversight. There is also currently a review into the VET FEE-HELP program ahead of the expiry of the National Partnership Agreement on Skills Reform at the end of this financial year (2016–17). Table 1 provides a timeline of the developments in the VET sector.

“The move to a national regulator was to address the fact that differences in state interpretation of provider registration standards led to inconsistencies in the application of the standards.”

TABLE 1
A BRIEF HISTORY OF VET

Timeline	Measures
Pre-federation	Vocational education was mostly known as technical education and generally available in all the colonies just before federation. An apprenticeship system was introduced in the early 1800s.
1901–1960s	The Commonwealth's support of VET varied throughout the decades, with assistance provided to the states during World War II. Notably, this assistance didn't continue after the war.
1970s	The 1970s were a redefining decade for the VET sector, with the release of the Kangan Report, which saw the introduction of the name Technical and Further Education (TAFE). Fees were abolished and Commonwealth funding rose which saw growing student numbers.
1980s	The 1980s saw the progress of recommendations in the Kangan Report, which meant, among other things, better national cooperation among the state-based TAFEs.
1990s	The Australian National Training Authority (ANTA) was established in 1992 in an attempt by the Commonwealth for control. ANTA had the role of leading and coordinating a national VET system. User choice was introduced in the 1990s for apprenticeships and traineeships – apprentices and employers had the choice of providers for the VET aspect of the apprenticeship.
2008	In 2008, COAG initiated major reforms of the VET sector – Skills Australia (which has since been transitioned into the Department of Industry) was established and contestability encouraged.
2009	The VET FEE-HELP scheme was introduced for full-fee paying students studying Diplomas and Advanced Diplomas. The scheme was restricted to qualifications that were pathways to higher education.
2011	The national VET regulator, ASQA was established.
2012	The Commonwealth, states and territories committed to the National Partnership Agreement on Skills Reform (NP). The agreement consisted of goals and structures of intergovernmental VET funding and reform for the period 2012–13 to 2016–17. The VET FEE-HELP scheme was expanded by removing the pathway to higher education requirement.
2015–current	Reforms were introduced to curtail the exploitative behaviour of some providers. A discussion paper on redesigning VET FEE-HELP was released in early 2016.

Sources: Bowman, K. & McKenna, S., 2016; Goozee, G., 2001; ACIL Allen, 2015a, Review of the National Partnerships Agreement on Skills Reform; Australian Government, 2016. Redesigning VET FEE-HELP: Discussion Paper.

Overview of the VET system

There is a misconception among the general public that VET is primarily about apprenticeships and traineeships, or solely the domain of traditional blue-collar jobs. However, apprenticeships only account for about 10 per cent of total VET activity (TVA).⁹

Apprenticeships, which last between three and four years, are a classic example of work-integrated learning as apprentices are essentially employees. Apprentices typically spend about 60 per cent of their time being trained on the job and the rest in more formal VET.¹⁰ User choice is not a new concept within the apprenticeship system – since the 1990s, apprentices and their employers have had a choice of provider to deliver the VET portion of their training.¹¹

Apprentices have excellent job outcomes, with about 84 per cent of apprentices being employed after completing their training and this percentage rises to almost 91 per cent for trade apprenticeships.¹² Despite this, apprenticeship numbers have been falling for a while now, with significant drops occurring post-2011 when incentives paid to employers to support apprentices were restricted to specific areas, namely the traditional trades and some non-trade areas deemed to be priority occupations.¹³

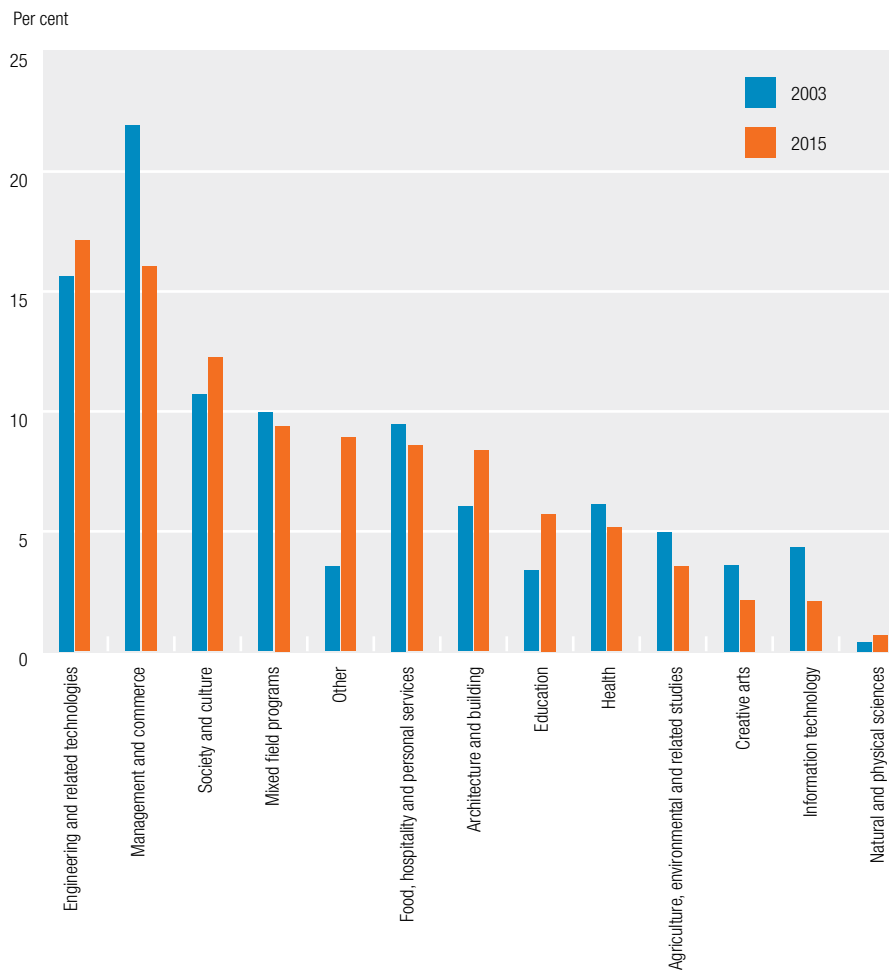
Other than the Certificate III, which is common among apprentices, there are five other VET qualifications under the Australian Qualification Framework (AQF), namely: Certificates I, II, IV; Diplomas; and Advanced Diplomas. Nearly 40 per cent of students take courses at the Certificate III level and 30 per cent at a higher level. The remaining 30 per cent are enrolled in courses at lower levels or in non-AQF programs.¹⁴

In 2015, the largest education field was engineering and related technologies based on number of government-funded students as seen in Figure 1 on page 20. The share of students by field of study has not changed significantly over the past decade. The exceptions are a drop in the proportion of students studying management and commerce (but it remains the second largest nonetheless), while there has been a rise in the share of students studying society and culture, primarily human welfare studies and services which includes fields such as aged care, child care, nursing and disability care, as well as engineering and education.

The total number of government-funded students has been falling since 2012, when it peaked at close to two million students; in 2015, student numbers dropped to 1.6 million students, the second-lowest level since 2004.¹⁵ In total (TVA), there were close to four million students enrolled in the system in 2014, with the number expected to decline in 2015.

“Apprentices have excellent job outcomes, with about 84 per cent of apprentices being employed after completing their training and this percentage rises to almost 91 per cent for trade apprenticeships.”

FIGURE 1
SHARE OF STUDENTS BY FIELD OF STUDY



Source: NCVET VOCSTATS, Time series, government-funded VET training, 2016.

Another aspect of the sector that is not often discussed is VET in schools – there are over 240,000 VET in schools (VetIS) students in Australia, with students from low socioeconomic status (SES) backgrounds being overrepresented. In Chapter 4, Megan O’Connell and Kate Torii discuss vocational learning in schools, finding that VET in schools subjects are typically at lower levels (Certificates I-III), that vocational learning has a lower status than academic studies, and that employers typically do not find VETIS sufficiently work-integrated.

A diversity of providers

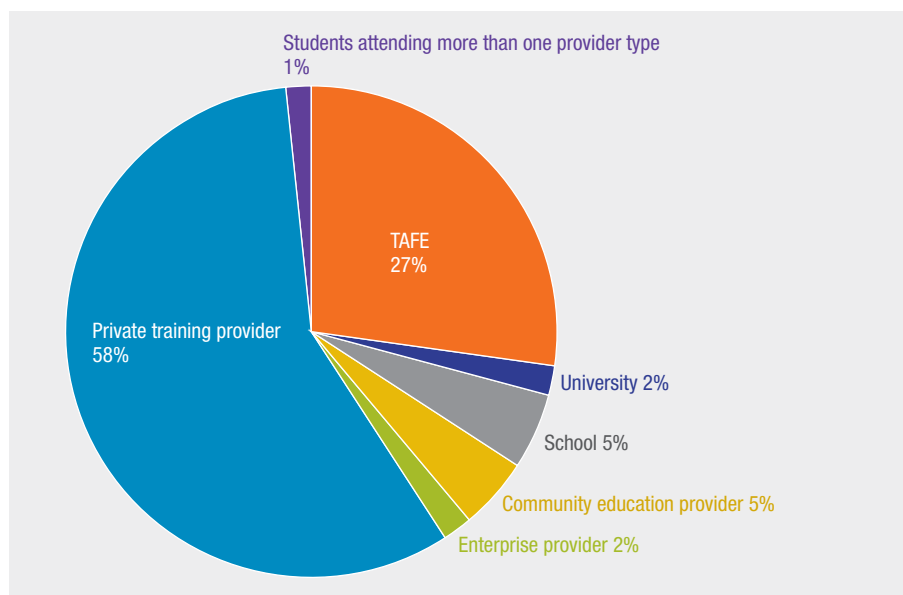
There is also widespread belief that VET is simply made up of private and public Registered Training Organisations (RTOs) or providers. This is a simplistic breakdown that does not tell the whole story of the system. Providers range from niche industry providers, to regional TAFEs, to larger private providers.¹⁶ In 2014, there were:¹⁷

- 2865 private providers;
- 960 schools;
- 497 community education providers;
- 210 enterprise providers;
- 57 TAFE providers; and
- 15 university providers.

While it is clear that private providers dominate the sector, the TAFE system is somewhat under-represented in those numbers as state TAFE systems are classified as one in some instances e.g. TAFE NSW counts as one provider. Diversity of providers is seen as a strength by some as it allows the system to cater for a wide range of students, while others note that it could also be a weakness, such as in the case of some small providers that are not always properly regulated.

Figure 2 shows the share of enrolled students in 2014 by provider type – private providers have the lion's share of students, followed by TAFEs and to a much lesser extent, schools. Looking further into the breakdown of students who attend courses provided by private RTOs, most (90 per cent) students were enrolled in courses provided by privately-operated providers, with industry/professional associations and manufacturers accounting for just 10 per cent of students.

FIGURE 2
SHARE OF STUDENT BY TYPE OF PROVIDER, 2014



Source: NCVET, VOCSTATS, TVA 2016.

Understanding the diversity of providers is important when formulating VET system policy. In a recently released report, researchers at the LH Martin Institute profiled the different types of providers and categorised them into five core groups as shown in Table 2.¹⁸

TABLE 2
VET PROVIDER PROFILE

Group type	Example institutions	Characteristics
Group 1: High international orientation and external engagement	Box Hill Institute TAFE Queensland – Brisbane	These providers are mainly based in Victoria and are focused on external/international engagement.
Group 2: Regional and remote providers	Pilbara Institute (now part of the North Regional TAFE) TAFE NSW – North Coast Institute	These providers focus on the student dimension, particularly for low SES and regional students.
Group 3: Specialised and domestic	Australian Institute of Fitness Spectra Training	These providers are small, with programs in a narrow range of fields, aimed at students with no prior higher education.
Group 4: Large comprehensive with diverse student population	TAFE NSW – South West Sydney Institute TAFE SA	There are only two providers in this group and they tend to deliver across a large geographical region.
Group 5: Mixed profile providers	Victoria University TAFE Queensland – East Coast	These providers tend to have strong external agreements but do not have a strong international orientation.

Source: Schubert, R. Bentley, P. & Goedegebuure, L., 2016. Profiling institutional diversity across the Australian VET sector.

The diversity of providers reflects the need to be careful about one-size-fits-all policies when it comes to the VET sector.

The forgotten middle child

At present, there is an implicit assumption that it is primarily the role of higher education (and universities in particular) to meet Australia's skills needs, and this is reflected in policies that incentivise students to attend university, with universities increasingly dropping entry requirements and competing against the VET sector for students. At least in some instances, students are being admitted to university even if they are more vocationally inclined than academically inclined.

In Australia's education landscape, VET is like a forgotten middle child,¹⁹ squeezed between schools (which tend to get a lot of policy attention, like the youngest child) and universities (which tend to get the prestige and status, like the oldest child). There is no doubt that the VET sector has a lower status in Australia.

This is despite the fact that the VET sector has strong links with industry, and a focus on work-oriented education and work-based learning that equips its students with skills that equate to job-ready graduates for industry.²⁰ In 2015, about 76 per cent of VET graduates surveyed reported positive job-related benefits arising from undertaking their qualifications, including getting a job, changing jobs, getting a promotion or higher earnings.²¹

Perhaps this forgotten middle child status is partly to blame for the absence of VET policy from much of the conversation around skills, innovation and human capital, and even the broader education system. As an example, the link between jobs and skills, and collaboration between industry and educational institutions (two areas that play to VET's strengths) were glaringly missing from the National Innovation and Science Agenda (NISA).²² Yet innovation and applied research are seen as core strengths in the sector, including in areas such as applied research that investigates problems in business processes, products, technologies and capabilities, and working with employers and students to solve them.²³

Instead, the public debate has been focused primarily on issues around VET FEE-HELP and the dodgy provider problem (which are discussed later in this chapter), despite VET FEE-HELP only accounting for seven per cent of total enrolments.²⁴ In the lead up to the Federal Election earlier this year, apprenticeships and traineeships were back on the policy agenda, but any overarching VET policy discussed in the broader context of jobs and growth was still largely missing.

In fact, as discussed by Dr Damian Oliver in Chapter 1, there has not been a national high-profile review of the sector since the Kangan Report in 1974, whereas the school sector had the Gonski Report and higher education had the Bradley Review. While there have been significant reports into the sector since then,²⁵ the 2012 NP was established without a broad, national review into the VET sector.²⁶

There is no doubt that a review of the VET sector is long overdue, perhaps to coincide with the expiry of the NP next year. If a review is undertaken, it must be comprehensive and holistic to examine the VET sector's role in meeting Australia's skills needs and within the broader education system, rather than in isolation.

This means that the review must not be targeted at one specific industry.²⁷ Similarly, while the current review into the redesign of the VET FEE-HELP system is commendable, VET FEE-HELP is only one part of the system. It is also important that any review into the VET sector accounts for the diversity of the system, including the variety of providers, programs, purposes and students. There is little discussion of that particular characteristic of the VET system at present.

In fact, there is a broader problem of a lack of a clear vision and of a defined role for TAFE within the VET sector.²⁸ In Chapter 2 Linda Simon discusses TAFE's obligations when it comes to serving all fields of education as well as students, whereas many for-profit providers can choose to focus only on profitable fields of study. There has been a general understanding over the years that the TAFE sector fulfils an important role around social equity and in providing skills that may not be captured elsewhere due to thin markets.²⁹ Any review must take into account this role of TAFE within the VET sector, including the role it plays in regional, rural and remote areas and in engaging disadvantaged students, while also discussing the role TAFEs can play in innovation and applied research³⁰ given their strong industry links.

Another point to note on carrying out a comprehensive review is that it should be done with the understanding that the government will consider the findings carefully. Even though there hasn't been a comprehensive review of the system since the 1970s, recent inquiries into the system have provided governments with extensive submissions with recommendations. However, these recommendations have not been further considered or implemented.³¹

“More than five million jobs, almost 40 per cent of Australian jobs that exist today, have a moderate to high likelihood of disappearing in the next 10 to 15 years.”

The government should also consider VET and higher education reforms together, particularly when it comes to funding and regulation, argued by the Bradley Higher Education Review in 2008.³² This may help to address some of the “forgotten middle child” problem that VET faces and help to make more holistic decisions about VET's role within the whole education system.

Securing skills for Australia

Digital and technological advancements have been disrupting the way we work for a long time. Manufacturing, for example, is no longer as labour intensive as it used to be, with mechanisation replacing manual labour over the years. More recently, new technological developments have been radically reshaping many traditionally blue collar industries, such as 3D printing in manufacturing and construction industries.

There continues to be warning bells around automation and severe job losses are predicted, with CEDA's *Australia's future workforce?* report finding that more than five million jobs, almost 40 per cent of Australian jobs that exist today, have a moderate to high likelihood of disappearing in the next 10 to 15 years due to technological advancements.

As a result, as discussed in the CEDA report, the jobs of the future are likely to be in areas where machine thinking and robotics are most challenged in replicating human thought and mobility: in creative thinking, in areas requiring high social intelligence, and in jobs that involve considerable mobility and agility. This means that the jobs of the future will require a more diverse set of skills, including creativity, problem solving, patience, critical thinking and resilience.

At the same time, there are broader trends within the economy towards the service sector. The transition away from mining due to the end of the mining investment boom means that the services sector will play an increasingly important role going forward – in fact, CEDA's major piece of research for 2017 will focus on Australia's productivity performance in the services sector. For the workforce, it means that service sector skills will be increasingly important in meeting Australia's skills needs.

However, there is some good news for the VET sector. Some of the jobs of the future that have a low risk of being automated are in VET-related industries, including childcare workers, fitness instructors and occupational therapy technicians.³³ While VET is traditionally blue collar, as mentioned previously, there has been a rise in the share of students studying service sector courses such as aged care, child care, nursing and disability care – reflecting that the VET sector is already adapting to changing workforce needs.

While this is good news for VET, at present, VET qualifications are overwhelmingly based on the concept of competency-based training (CBT). CBT implies that students are trained for very specific workplace tasks leading to narrowly-defined occupations based on the assumption that there is a direct link between the qualification obtained and employment.³⁴ However, the jobs of the future will require a more diverse and transferable set of skills. At present, the sector's training packages are narrowly focused and do not necessarily incorporate those diverse sets of skills.

As discussed by Martin Riordan in Chapter 5, the various industry groups have been increasingly concerned that VET students are not being equipped with the skills that employers want – not just the broad set of skills raised above, but there are also concerns around poor literary and numeracy skills among graduates.

“There is some good news for the VET sector. Some of the jobs of the future that have a low risk of being automated are in VET-related industries, including childcare workers, fitness instructors and occupational therapy technicians.”

One solution could be to shift away from narrowly-defined qualifications around specific roles or tasks to concepts such as vocational streams, developed primarily by Leesa Wheelahan and John Buchanan. Put simply, vocational streams refer to clusters of occupations that share similar requirements for knowledge, skills and attributes.³⁵

Vocational streams would promote qualifications in the form of capabilities in a field of practice (e.g. care work such as aged care and child care) rather than a narrowly-defined set of competencies for a particular occupation. These streams would equip students with a broader set of skills and capabilities that would promote mobility of employment and flexibility to adapt to changing workforce needs. It would allow graduates to perform many roles in more than one industry and would also prepare students for careers rather than one particular job.³⁶

While concepts such as vocational streams are advocated among researchers, there is evidence of reticence among industry to completely move away from the core idea of CBT. Practically, any change to training packages will need a strong industry engagement strategy. As a first step, the move could simply be to introduce some flexibility in the current training packages to allow transferable and a broader set of skills to be taught.

There may also be a case for the sector to increasingly focus on fewer qualifications as its primary objective: Certificate IIIs and Diplomas. These two qualifications have strong employment outcomes and linkages to industry.³⁷ By contrast, the poor outcomes in the VET sector tend to be at the certificate I and II levels, whereas the role of Certificate IV and Advanced Diploma tend to serve niche, rather than broad markets.

Focusing on these two qualifications would allow the sector to strengthen its labour market connections and work more effectively with students and industry to meet Australia's future skill requirements. However, there would still be a role for other qualifications in niche areas – for example, pathway courses in dual-sector institutions.

A similar approach could be taken for VET in schools based on international experience – the core content of the school curriculum could be reduced while learning activities could be diversified to incorporate other capabilities that are more suited to current and future jobs (e.g. problem solving and critical thinking).³⁸

As to the question of who does what when it comes to securing the right skills for Australia, the role of government should not be to prescribe course content; rather, that should be determined by students and industry.³⁹ This echoes a recently released Business Council of Australia (BCA) report on work readiness skills, which reported that the role of government should be to require the education system to include certain behaviours that employers want, while the role of industry was to specify those behaviours.⁴⁰ In VET, the implication is that it is best for the government to be in a regulatory role, with industry and providers taking the lead on content, which would allow them to be agile and responsive to changing skills needs.

A turning point

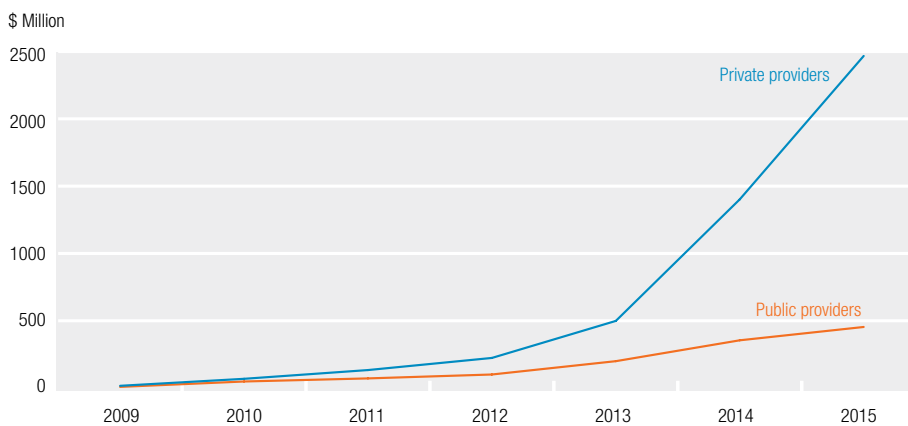
The VET sector has been through a lot of changes over the past decade and we are not able to address them all in this overview. Many of the major issues (such as entitlements and jurisdictional issues) for example, are discussed across many of the contributions of this report and also in Peter Noonan's comprehensive report into the sector's funding issues.⁴¹

Indeed, in 2014 CEDA examined the issue of responsibilities and funding models across governments in VET in *A Federation for the 21st Century* in 2014 and again earlier this year in *Australia's economic future: an agenda for growth*. In the latter report, CEDA noted the volatile VET policy space over the past decade and that there are eight different approaches across Australia to the provision of funding for VET. Subsidy rates to training providers vary significantly between jurisdictions.⁴²

The disparity in funding models is despite the fact that recent reforms have promoted a more national system. This shows that it will be difficult to get agreement on a way forward from all jurisdictions once the NP expires at the end of this financial year. COAG should undertake a comprehensive, national review of the sector, with the review forming the basis for discussions towards a new NP-type agreement.

There is no doubt that the introduction of the NP marked a turning point in the history of VET. In Chapter 6, Professor Gerald Burke discusses the effects of some of the changes that were undertaken as part of the NP on the VET sector. Figure 3 shows the VET FEE-HELP loans made each year in current prices. After making VET FEE-HELP available to all in 2012, there was a sharp rise in VET FEE-HELP loans from \$26 million in 2009 to over \$2.9 billion in 2015, mostly driven by students enrolled in courses from private providers.⁴³

FIGURE 3
VET FEE-HELP LOANS



Source: Australian Government, 2016. Redesigning VET FEE-HELP: Discussion Paper.

TABLE 3
TOP 10 VET FEE-HELP PROVIDERS, 2014

Provider	VET FEE-HELP students enrolled	VET FEE-HELP loans (\$)	Average loan per student enrolled (\$)	Students graduated	Average loan cost per graduation (\$)
ACTE (includes Evocca college)	26,848	250,185,150	9319	1053	237,593
TAFE Commission of NSW	22,946	192,282,087	8380	1864	103,156
Careers Australia Education Institute	15,664	148,623,137	9488	1186	125,315
Australian Institute of Professional Education (AIPE)	8,814	109,957,263	12475	117	939,806
Study Group Australia	13,715	101,714,437	7416	470	216,414
Unique International college	2,824	76,766,985	27184	172	446,320
Think: Colleges	8,177	66,857,001	8176	952	70,228
Cornerstone Investments	4,251	46,136,016	10853	2	23,068,008
Smart City Vocational college	4,135	38,820,500	9388	189	205,399
College of Creative Design and Arts	3,530	35,473,698	10049	30	1,182,457

Source: Senate Committee: Education and Employment Q on N No.SQ15-000668.

Even though VET FEE-HELP has dominated the public debate, it is worth noting that only about 200 private providers out of the almost 3000 private providers accessed VET FEE-HELP. Further, it is highly concentrated, with 10 providers (mostly private) accounting for about half of all VET FEE-HELP loans. Table 3 shows the top 10 providers in 2014.

It is clear from looking at Table 3 that there are some outliers in the data. In particular, it appears that in some instances, the rise in VET FEE-HELP loans was due to higher prices being charged for qualifications, as well as due to a rise in the number of students accessing VET FEE-HELP. Unique International College, for example, appeared to be charging almost three times what others in the top 10 were charging. An analysis of VET FEE-HELP more broadly confirms that the rise in the loan amount was partly due to the high fees being charged.⁴⁶

The extension of the VET FEE-HELP scheme aimed to improve VET participation by making qualifications more affordable – and this was broadly achieved. A review of the NP conducted by ACIL Allen found evidence that accessibility has improved since the introduction of the NP (which includes changes broader than just the VET FEE-HELP). VET enrolments have risen overall since 2008 (although that trend has been somewhat reversed in more recent years), while the proportion of the population without a higher level qualification has fallen.⁴⁷

The training target of 375,000 completions by 2016 was met and exceeded ahead of schedule in 2013. In Victoria in particular, the recent reforms have led to an increase in participation by students from disadvantaged groups namely: students from non-English speaking backgrounds, the unemployed, students with prior qualifications below Year 10, students with a disability, and students not in the labour force.⁴⁸ For the first three groups, the growth was above the overall VET market average growth.⁴⁹

However, there is also evidence that these very same groups are faring much worse under the system. The completion rate for Indigenous students is about 13 per cent and for those with a disability and from a low SES background, the rate is just over 20 per cent.⁵⁰ There is also evidence that students from disadvantaged backgrounds were being charged more on average.⁵¹

The review noted that an unintended consequence of VET FEE-HELP was that students were incentivised to undertake higher level qualifications regardless of suitability as VET FEE-HELP is not available for lower level qualifications. The drop in quality, reflected in the relatively low completion rates of VET FEE-HELP students, is another disappointing outcome.⁵² Combined with higher fees and relatively low earnings potential, it means that some of the loaned amount will remain unpaid, around 40 per cent by some estimates.⁵³

While there is some consensus around the decline in quality since 2012, it is at odds with satisfaction surveys. A 2015 survey shows 81.7 per cent of employers of apprentices and trainees were satisfied they were receiving the required skill, higher than a decade ago.⁵⁴ Similarly, students reported very high levels of satisfaction and these levels have not been falling. This is possibly due to the quality issues being concentrated among a small number of VET FEE-HELP providers, rather than being a system-wide problem – as mentioned previously, VET FEE-HELP accounts for a small share of total enrolments.

In 2014, at the height of the VET FEE-HELP debacle, ASQA was criticised for failing in its regulatory duties, particularly in the failure of its processes to ensure quality has been maintained.⁵⁵ Some inroads have already been made since; for example, Evocca and Careers Australia, the top two private providers in Table 3, have already faced more stringent reporting requirements from ASQA.⁵⁶ Despite this, there is no doubt that the fraudulent behaviour of a small number of providers have shaken the public's faith in the entire VET sector.

The NP review also raised concerns around transparency and data sharing. While there has been an improvement in data availability, this has not improved information asymmetry as data around training prices, quality and entitlement limitations continue to be lacking.⁵⁷ It is difficult for students to make informed choices about courses and providers if that is the case.

“An unintended consequence of VET FEE-HELP was that students were incentivised to undertake higher level qualifications regardless of suitability as VET FEE-HELP is not available for lower level qualifications.”

Dealing with unintended consequences

A discussion paper about the future of VET FEE-HELP notes that the system, which was designed for higher education, was extended to the VET sector without taking into account the sector's low barriers to entry.⁵⁸ Further, as discussed by Rod Camm in Chapter 3, the implementation of the system was underpinned by a hands-off approach and some lax administrative arrangements that attracted some rent-seeking providers.

In other words, many of the unintended consequences of the NP and other reforms of the VET system was primarily a failure of regulation.

It is important that the government's response to these problems finds the fine line between allowing the sector to continue to be competitive and adaptable and ensuring that there is enough oversight to prevent fraudulent behaviour.

A fee cap has been put forward as a potential solution to rein in rising VET FEE-HELP loans but arbitrary universal price caps may not be ideal – too high a cap would make it a pointless exercise while too low a cap could disadvantage some providers offering courses that are genuinely more expensive to run or lead to upfront fees.⁵⁹

A different solution could be to introduce a small upfront fee to provide a price signal for students in a structure where fees are deferred via VET FEE-HELP⁶⁰ – this would capture those who were exploited by being told courses were free for example. A small upfront fee would be consistent with the contestable nature of the market while not being too interventionist on the price aspect.

Another approach to deal with unintended consequences would be to strengthen the oversight of the sector to minimise the risk of fraudulent behaviour. As an example, this could be done using a risk-based approach whereby regulators assess risks based on factors such as student cohorts, provider performance and student outcomes.⁶¹ Regulators should then be given the power to suspend enrolments if it is deemed that a provider is not meeting standards based on the risk-based approach.⁶²

More could be done to improve information asymmetry to provide students and industry with better information, particularly with regards to providers, their pricing, and qualification and other outcomes, audit findings and student and industry satisfaction survey results – while some of this information is collected at present, it is not readily available to the public.⁶³ This information also needs to be available at the national level, not just at the state level, and easily accessible so that prospective students can make informed decisions.

When it comes to quality, the risk-based oversight approach discussed above would go a long way in dealing with poor quality providers. However, there are other options to improve quality, for example, either by better training VET teachers⁶⁴ or ensuring that VET instructors are qualified and experienced (i.e. have the appropriate links to industry and not just a teaching degree).⁶⁵

Another idea is to establish an external body to assess whether students have met the required standard.⁶⁶ This is not uncommon in other countries and even in the trade sector domestically. However, there would have to be strong consideration of the impact that such a body would have on costs and on the sector's ability to be flexible.

Conclusion

Despite the problems associated with the unintended consequences of recent system reforms, there is no doubt that the sector has played and will continue to play its part in contributing to the skills needs of Australia. In fixing the VET FEE-HELP fallout, it is important that solutions do not impede on the sector's ability to remain competitive and flexible to current and future workforce needs. The solutions must balance the right level of oversight that would minimise the risk of fraudulent behaviour, while not imposing prohibitive regulations on the sector.

An independent holistic review into the system is long overdue. A review that looks into the role of the sector more broadly will help pave the way for the sector to capitalise on the opportunities offered by the future of work and with some tweaking of the current qualification design, the VET sector could see itself as a leader in engaging with industry and students to equip students with transferable and lifelong skills.

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1. Getting over middle child status

Dr Damian Oliver

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This chapter outlines an ambitious agenda: how vocational education and training (VET) in Australia can escape its status as the neglected middle child of education policy to achieve a clearer statement of purpose and greater parity of esteem with higher education.

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Introduction

Despite big challenges relating to VET FEE-HELP and the implementation of entitlement funding models, fundamentally there will continue to be strong demand for VET qualifications. There are already strong signs that VET is adapting to the needs of the emerging labour market by shifting its centre of gravity towards new growth occupations in the service industries. However, to truly thrive VET must reappraise the capabilities it seeks to develop in all its graduates, including in more traditional industries. This means a greater emphasis on creativity and social intelligence as well as domain-specific technical skills. The VET sector also needs to re-examine its building blocks – qualifications – to ensure that they connect with the priorities of the contemporary labour market, even if that means jettisoning other historical functions of the VET system, such as its role in serving as a pathway to higher education.

The robots are not coming for VET

Recently there have been a string of media reports that a new wave of automation is about to hit the labour market, with robots to replace workers in thousands of jobs. One credible report by the Committee for Economic Development of Australia (CEDA) estimated that up to 40 per cent of all jobs in Australia were at risk of being obsolete within 15 years.¹ A follow-up study based on the same methodology found that nearly 60 per cent of Australian students (71 per cent in VET) are currently studying or training for occupations where at least two thirds of jobs will be automated over the coming decades.²

Implicit in a lot of the commentary was the assumption that demand for VET courses was ebbing away and all future jobs would require university qualifications. This kind of thinking is misinformed. Frey and Osborne kicked off the current global debate about the future of employment with their 2013 paper *How susceptible are jobs to computerisation?*³ For 702 US occupations they estimated the probability of the job being computerised. Frey and Osborne worked from the list of tasks associated with the occupation and focused on the job's required levels of:

- Perception and manipulation;
- Creativity; and
- Social intelligence.

The results are not nearly as straightforward as VET bad, university good. VET graduates make up a large, if largely overlooked, component of the Australian workforce. According to the most recent Education and Work survey by the Australian Bureau of Statistics, more than a third (38 per cent) of Australia's workforce are VET graduates – a proportion that has hardly changed in the last 35 years.⁴

True, among the jobs with the highest probability of being automated are some classic VET-relevant roles, including cabinetmakers and bench carpenters; print binding and finishing workers; and welders, cutters, solderers and brazers. Also listed are entry-level roles like telemarketers, data entry keyers and cashiers. However, also among the top 25 per cent are accountants. Yet accounting continues to be one of the most popular courses delivered by Australian higher education providers, especially among international students.

Additionally, listed among the 25 per cent of jobs with the lowest probability of being automated are the following prominent VET-relevant occupations:

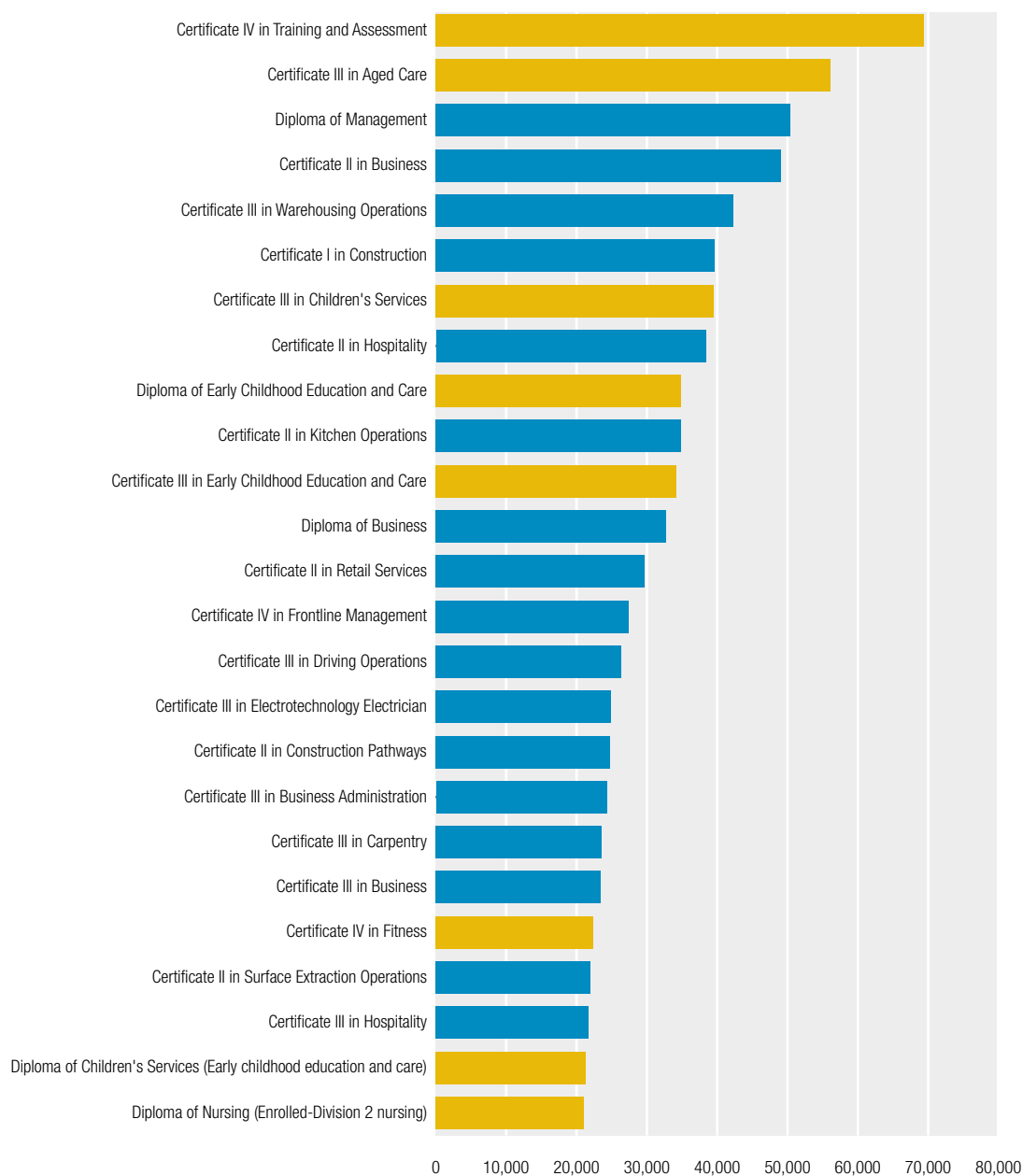
- Childcare workers;
- Fitness instructors;
- Occupational therapy technicians;
- Fashion designers;
- Training and development specialists;
- Recreation workers; and
- Social and community service managers.

Much of the alarmist discussion of the impact of technology on jobs misses the broader point: all jobs, regardless of skill level, are potentially affected by automation, and in ways that may enhance or reduce the opportunities for discretion and manipulation. For example, improvements in diagnostic technologies may assist medical practitioners to make diagnoses, reducing the potential for individual error. Car production draws increasingly on computerisation. This has reduced the demand for traditional automotive mechanic skills, but has increased the need for workers with computer and electronics skills as well as customer service.

“Much of the alarmist discussion of the impact of technology on jobs misses the broader point: all jobs, regardless of skill level, are potentially affected by automation, and in ways that may enhance or reduce the opportunities for discretion and manipulation.”

The Australian VET system is already rapidly adapting to the new jobs landscape. Figure 1 shows the top 10 VET courses by enrolments for 2014. Jobs with the lowest susceptibility to automation are already prominent among VET's most popular courses, including childcare, training and development, and fitness (highlighted in yellow). The continuing growth of these courses has the potential to transform how Australians perceive the VET sector, and how the VET sector perceives itself; changing from a sector dominated by male, blue-collar, obsolete technical skills to a more feminised sector that equips workers to meet the needs of growing service industries. But it would be risky and complacent for VET to rely on natural changes to the labour market to complete its evolution. If VET is to emerge as a respected pathway, it needs to sharpen its focus and transform how it delivers training, beginning with how it structures its qualifications.

FIGURE 1
TOP 25 VET COURSES BY ENROLMENT, 2014



Source: National Centre for Vocational Education Research, Students and Courses 2014.

Middle child syndrome

When compared with school education and higher education, the role of VET has been taken for granted for too long. The Gonski Report⁵ and the Bradley Review⁶ both resulted in firm, contemporary statements of objective for the schooling and higher education sectors, which were subsequently adopted by the government of the day. The Gonski Report argued for needs-based funding for schools, so that public moneys would be better targeted toward disadvantaged students. The Bradley Review would set ambitious targets for the participation of Australians in higher education and recommend a move to a demand-driven model of funding. Yet the National Partnership Agreement on Skills Reform, which introduced the entitlement model to VET, was not preceded by any broad review into VET. Indeed, the last similarly comprehensive national review into vocational education and training in Australia was the Kangan Report, which was undertaken in 1974.⁷ A lot has changed since then.

A lot has changed even since the late 1980s and early 1990s, when the framework of the current system was established: nationally recognised qualifications based on competency-based progression. Back then, Year 12 completion rates had only recently surpassed 80 per cent, following intensive efforts by the Hawke Government. Around a third of the workforce had not completed secondary school or a post-school qualification.

This was true for males as well as females, whose labour force participation rate was also rapidly increasing. Economic reforms – the floating of the dollar; privatisation of state-owned enterprises in transport, finance, and energy; ongoing reduction of tariffs – were unleashing widespread job losses across multiple industries, not just manufacturing.

“In times when organisations were less lean, workplaces had developed and sustained cultures of deep, albeit informal, learning. With longer job and occupational tenures than is usual now, individuals were able to draw on not just learned skills but a broad foundation of practice.”

Recognition of the skills that workers and potential workers already had, and filling any information gaps, was a major priority. In times when organisations were less lean, workplaces had developed and sustained cultures of deep, albeit informal, learning. With longer job and occupational tenures than is usual now, individuals were able to draw on not just learned skills but a broad foundation of practice. This was the context in which the principle of competency-based progression, and associated practices like recognition of prior learning, were introduced. Workers participating in competency-based training were by and large demonstrating skills and applying knowledge they had already learnt in the workplace from experienced practitioners. Any gaps in knowledge and skills were addressed by qualified vocational teachers. Time wasn't irrelevant to the process of learning, it had already been factored in.

The economic, technological and social preconditions that made the competency-based framework suit the conditions of the 1980s and 1990s plainly no longer exist. The VET system can no longer assume that its typical student has a

lifetime of work-based experiences to draw upon. Because work is more intense and more precarious, individuals are more reliant on the VET system to provide a solid foundation of not just technical skills but also contextual knowledge and ways to make sense of work, occupation and career.

If we accept that the role of the VET system is to produce flexible and adaptive workers (rather than being flexible and adaptive to industry's short-term requirements), then the qualities that VET needs to be developing in its students are the same characteristics that Frey and Osborne identified as future-proofing jobs and workers from the risks of automation, namely:

- Creativity;
- Social intelligence; and
- Domain-specific perception and manipulation skills.

As it happens, this substantially overlaps with the traits that psychologists identify in middle children. According to psychological studies,⁸ middle children are:

- Open to new ideas;
- Patient;
- Great innovators and team leaders; and
- Excellent negotiators.

These are great traits that the best VET qualifications already instil in graduates. A wider re-imagining of VET qualifications would put these qualities at the centre.

One way to achieve this is to shift away from narrowly-defined qualifications built around specific roles or tasks toward broader qualifications structured around the idea of vocational streams. Vocational streams, an idea developed by researchers Leesa Wheelahan, John Buchanan and their colleagues, are clusters of occupations that share similar requirements for knowledge, skills and attributes. Focusing on developing the broader capabilities that underpin vocational streams will promote job mobility, adaptive capacity and career development for VET graduates.

Qualification design

It will not be possible to resolve the issues associated with the status and function of VET without returning to the question of qualification design. The Australian Qualifications Framework (AQF) features qualifications at 10 levels. Principally, the VET sector delivers:

- Certificate I;
- Certificate II;
- Certificate III;
- Certificate IV;
- Diploma; and
- Advanced Diploma.

With the possible exception of the Certificate III qualification, which is the qualification that most apprenticeships are tied to, there is considerable fraying and blurring on the intended labour market and education pathways for VET qualifications.

The poor education and labour market outcomes from lower level VET qualifications (namely the Certificate I and Certificate II programs) have been a regular criticism of the VET system.⁹ In some cases, undertaking a Certificate I or Certificate II course appears to lead to poorer work and further study outcomes, especially for females. It could be that the best way for the VET sector to increase its status is to push back against some of the many (unfulfillable) expectations that are placed up on it, beginning with the idea that it is the VET sector's role to produce work-ready Australians, whatever their background or characteristics or previous exposure to work.

It is telling that the Coalition Government's Youth Jobs Prepare-Trial-Hire (PaTH) program announced in the 2016 Budget¹⁰ does involve an intensive, six week pre-employment training period delivering employability skills. The materials released so far do not specify that it be "nationally recognised training" that aligns to an existing Australian Qualifications Framework (AQF) qualification. There is an implicit recognition by policy-makers that the traditional qualification framework doesn't fit the role of providing young people in particular with the range of skills (e.g. time management), attitudes (e.g. flexible, willing to take direction) and attributes (e.g. appropriately dressed and presented) required for work.

"A positive outcome would be a well-designed work experience program that served to highlight the essential role of good, patient employers in equipping young people with the opportunity and confidence to succeed in the workplace. The VET system cannot replicate that experience."

A positive outcome would be a well-designed work experience program that served to highlight the essential role of good, patient employers in equipping young people with the opportunity and confidence to succeed in the workplace. The VET system cannot replicate that experience. It potentially has a much more useful role in supporting experienced workers to become better workplace mentors.

If a new, more successful approach to employability is adopted, then that would leave the primary purpose of Certificate I and Certificate II qualifications on more specific vocational preparation programs such as pre-apprenticeships. These generally have much more positive outcomes and provide a pathway into broad careers, consistent with the vocations approach.¹¹ Certificate I and II qualifications could also be linked to jobs requiring certain tickets or licences, such as forklift drivers, security guards, riggers and scaffolders.

By contrast, the role of Certificate III in the labour market is quite well established, thanks largely to the trade apprenticeships and the widely adopted qualifications in community services (Certificate III in Aged Care, now the Certificate III in Individual Support) and early childhood (Certificate III in Children's Services). The Certificate III is the benchmark for a VET qualified role involving substantial

exercise of occupational skill and autonomy. Largely the content and structure of Certificate III qualifications is sound because it draws on long-established communities of trust: tight networks of employers, professional associations, unions, licensing bodies, consumers and training providers who recognise, despite their different goals, their common interest in producing and defending rigorous and contemporary qualifications for their industries and sectors. The development of the new Certificate III in Individual Support, which replaced separate qualifications for aged care, disability care and home care, also shows that the qualification can adapt to suit a labour market that requires workers to be adaptive and plan a career spanning multiple occupations. However, there are some big challenges for the Certificate III level.

The first is ensuring that the apprenticeship model remains viable in the modern work and education landscape. Occupations traditionally served by apprenticeships are shrinking as a proportion of the total workforce, and efforts to extend the apprenticeship model into new occupations have stalled. At the same time, many employers seeking apprentices report a lack of suitable applicants. Reports that many young people are dissuaded from apprenticeships (often by parents, teachers and careers advisors) because of perceptions of low status, poor earnings and uncomfortable working conditions are longstanding.

The second issue is ensuring that the quality and standing of the qualifications generally is not undermined by poor quality providers. The key indicators of quality are time, experienced and qualified instructors, and connections with industry and workplaces. The regulator, Australian Skills Quality Authority (ASQA), conducted audits of the Certificate III qualifications in aged care (in 2013) and early childhood (in 2015). Alarming, it found that one third of providers offering the aged care qualification were offering students the potential to complete the qualification in less than 15 weeks.¹² One in five providers offering the early childhood qualification allowed the student to complete in less than 26 weeks.¹³ In both cases this is substantially lower than the AQF guideline of at least 52 weeks (and they are only that – guidelines; the Australian Quality Training Framework (AQTF) standards do not enforce a minimum standard because it is seen as contrary to the principle of competency-based progression). Failure to have staff with suitable qualifications and currency is one of the most common breaches identified by ASQA during its regular audits.

After the Certificate III, the most established VET qualification level is the Diploma. The Diploma provides recognition for senior, experienced VET-qualified workers, from a longer and more intense period of study or by building on the foundation established by an earlier Certificate III qualification. Strong career pathways exist for Diploma-qualified workers in electro-technology and engineering, for science and medical technicians, in financial services, in nursing, and early childhood education and care.

Yet the most common diploma courses are in more general areas such as business and community services, where the career pathways are much less distinct. Particularly when the number of business degree graduates has also increased, the boom of diploma enrolments in these fields is likely to erode the value of a diploma qualification.

Further eroding the value of the Diploma qualification has been the many VET FEE-HELP related scandals. Multiple parliamentary inquiries have documented the stories of unscrupulous training providers signing people up to Diploma courses for which they are manifestly unsuitable and unprepared, and then providing little in the way of face-to-face delivery (often these courses are online-only) or other learning support.¹⁴ Unsurprisingly, completion rates are very low. Even more alarmingly, the quality of provision in some of these for-profit providers has been so low that regulators have actually revoked qualifications. In the most notable case, the Victorian Registration and Qualifications Authority recalled qualifications from 9500 graduates from the Registered Training Organisations owned by Vocation.¹⁵ Overall, these instances are undermining public confidence in the VET system and the Diploma qualification.

“In the demand-driven era where universities are aggressively dropping entry scores to compete with VET for students, and pursuing other strategies such as establishing their own diploma-offering subsidiaries, it might make more sense for the VET system to remove tertiary preparation from its still-long list of functions.”

The VET system overall would be better off if more VET diplomas were built around tighter labour market connections. In general, the boundary between a VET diploma from a higher education diploma (or even a higher education degree) is fuzzy. There are a range of measures that could be adopted to achieve this, including making workplace placements a requirement of all courses, developing stronger professional associations in these fields so that they can have more input into qualification design, and potentially removing courses with poor labour market outcomes. In the demand-driven era where universities are aggressively dropping entry scores to compete with VET for students, and pursuing other strategies such as establishing their own diploma-offering subsidiaries, it might make more sense for the VET system to remove tertiary preparation from its still-long list of functions.¹⁶

Having said that, we will continue to see providers operating across the higher education-VET divide, whether they be dual sector universities, TAFE institutes offering degree programs, or private providers such as Navitas offering VET and higher education courses. The main distinction being that tertiary preparation courses do not need to be offered as VET courses under the AQF, since doing so seems to pull the quality framework in one direction too many.

VET should increasingly focus on the Certificate III (perhaps with a new name) and the Diploma qualification. Some Certificate IV and Advanced Diploma qualifications fill specific occupational niches but in general are not well anchored in the labour market. Simply put, is there enough room between what a Certificate III worker can do and what a Diploma worker can do for a distinct Certificate IV role to be viable? Very tight pay relativities between the different levels suggests not.¹⁷ Phasing out these qualifications could help to focus the VET system and improve the understanding of its role among industry, students and the community more broadly.

Conclusion

Feeling good about oneself starts with a strong sense of identity. It is good parenting advice – whether for the oldest, youngest or middle children – and it is advice that urgently needs to be applied to the Australian VET sector. For too long, VET has been expected to serve multiple roles: as a place for technical education of school leavers, a pathway to higher education and a vehicle for re-training workers impacted by technological change. Further, VET was expected to fulfil these roles with a one-size-fits-all qualification framework and manifestly inadequate funding. What the VET sector needs is permission to focus on its core mission: preparing Australians for a wide range of intermediate jobs with courses well respected by industry and which provide a solid foundation for workers to respond and adapt to an increasingly dynamic labour market. VET is already responding to labour market change, increasingly focusing on new roles in the growing community and personal service industries. However, to truly cement its viability and increase its status the VET sector needs to reform its building blocks, sharpen its focus by only offering qualifications with clear labour market connections and strengthen those qualifications by embedding a capabilities approach. Failure to do so will likely mean the vicious cycle of poor outcomes and low status will continue.

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2. Keeping TAFE the VET centrepiece

Linda Simon

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There is a strong case for TAFE as the centrepiece of vocational education and training (VET) in Australia. This chapter traces the genesis of TAFE, its changed role over the last four decades and the challenges it faces today.

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Introduction

TAFE is of significant importance to industry and communities in metropolitan and rural areas. It serves as both a pathway to higher education as well as a second-chance provider for many disadvantaged groups. Without a well-funded and high quality TAFE system, the Australian people will have no confidence in the VET sector. This paper will refer to the problems created through the current marketisation of VET, and the need for a clearly delineated and agreed role for TAFE. In tracing the history of TAFE and reflecting on the questions raised by most TAFE observers and researchers, TAFE's role within the VET sector and the education sector more widely emerges as a continuing issue; resolving this issue is critical to the continuing health and reputation of VET. One of the elements in the 2012 Council of Australian Governments (COAG) National Partnership Agreement on Skills Reforms was to recognise the important function of public providers "in servicing the training needs of industries, regions and local communities", and acknowledge their "role that spans high level training and workforce development".¹

TAFE origins

The genesis of TAFE came out of the Report of the Australian Committee on Technical and Further Education (Kangan Review) in 1974, which was part of the Whitlam Government's review of funding for education. Prior to this, technical education had not been recognised as a distinct sector of education. The philosophy articulated by the Kangan Review was for accessible vocational education for young people and second-chance adult education.² These joint but equally important roles have made TAFE distinctive over many years. However, TAFE's multiple roles in society has also been key in making TAFE a battleground; is TAFE only about the labour market or does it also have a role in personal development and developing social capital? Should it be industry-led, or are there a wider range of educational opportunities that TAFE has the responsibility to provide?

Technical education was formerly a state responsibility, but from 1962–63 the Commonwealth began to use its State Grants powers to allocate special purpose grants to the states for technical education and training.³ Following the Kangan Review, the states became increasingly dependent on Commonwealth funding to implement the Kangan Review recommendations and to fund specific programs, giving TAFE its national character.

The dual responsibilities of states and the Commonwealth for vocational education and training have dogged TAFE over the decades, especially in relation to funding responsibilities and national agreements. In 1992 the Commonwealth proposed a takeover of funding for TAFE. This proposal has also been recently put back on the table with a 2015 COAG paper, but in the context of a very different VET system. Such a takeover today would likely result in all Commonwealth VET funding being contestable, with a residual TAFE system remaining the responsibility of the states. Many fear this move would mark the end of the TAFE system as we know it.

In 1987 the Commonwealth Government established a single education department as part of its economic reforms and restructuring of industrial awards into broad skills-based categories.⁴ The following year the TAFE state recurrent programs were consolidated into a formal resource agreement with each state, linking Commonwealth policy objectives to funding. This became the model for allocating TAFE and subsequently VET funding⁵ – a model which has been the source of significant battles between the Commonwealth and the states ever since.

In the Howard Government years, this battle was seen with the policy directive of 1997 for “growth through efficiencies”, which required the states to increase their training hours without the provision of additional funding. In 2012 the Commonwealth and states and territories agreed on a market-driven funding model for vocational education “intended to promote opportunities for for-profit registered training organisations (RTOs) at the expense of public TAFE institutes”.⁶ Funding was allocated by the Commonwealth with the agreement that it would be distributed in a certain way by the states and territories.

Restructuring TAFE

TAFE systems and colleges/campuses at state and territory levels have also undergone restructures, both in response to Commonwealth changes and also to position TAFE in terms of state and territory specific objectives. The 1980s saw the start of what, for many, felt like constant changes in TAFE structures in terms of governance, relationships with schools and universities and the programs that were delivered. These changes were pushed with the growing trends of devolution and marketisation and increased entrepreneurial activities.

In NSW, a 1990 report called *TAFE Restructuring* set TAFE up under a commission with 24 networks. This changed again in 1992, when TAFE NSW was restructured into eight institutes and three institutes of technology. These also did not last long, becoming 11 then 10 institutes and also over the years moving in and out of education departments. A further restructure has been mooted following the Federal Election. Goozee 2001 points out a recurring problem in her report: “The restructuring, while significantly changing TAFE systems, did not make them more alike.”⁷

In 1992 COAG agreed to establish a national VET system through a formal intergovernmental agreement – the Australian National Training Authority (ANTA) Agreement – resulting in an increase in Commonwealth funding and the establishment of the ANTA as a permanent body. Under this agreement the cost of VET was provided two-thirds by the states and one-third by the Commonwealth, with the states agreeing to a certain level of VET provision. At this time the Commonwealth also established the National Employment and Training Taskforce (NETTFORCE) to expand the take-up of apprenticeships, leading to the New Apprenticeship Policy in 1997. Apprenticeships have continued

“Apprenticeships have continued to be largely delivered through TAFE colleges, with the on-the-job and off-the-job components undergoing some changes as competency-based, rather than time-based, programs were put in place. The often high delivery costs of trade apprenticeships has made them unattractive for many for-profit providers.”

to be largely delivered through TAFE colleges, with the on-the-job and off-the-job components undergoing some changes as competency-based, rather than time-based, programs were put in place. The often high delivery costs of trade apprenticeships has made them unattractive for many for-profit providers.

Under the ANTA Agreement, the key elements of the national VET system were put in place, with national recognition of VET providers and qualifications.⁸ Federal control was driven by the mantra of a national system with national standards and consistency of qualifications and awards, which led initially to the establishment of national curriculum and then subsequently Training Packages. VET’s adoption of a competency based system of training (CBT) continued to differentiate it educationally from both higher education and schools. This move further undermined education within TAFE leading to training based on more linear acquisition of skills. TAFE’s differentiating characteristic came with a narrow understanding of

training as the linear acquisition of skills. While the word “education” remains in both TAFE and VET, it is at times only paid lip-service by funding bodies. A need to revalue the educational element in TAFE is an important issue that may help to remodel the role of TAFE in the sector.

The ANTA Agreement also saw the move from TAFE to VET, with VET defined as encompassing public, private and community education and training, as well as work-based training. TAFE was being relegated to just one part of the Australian VET system.⁹

ANTA was abolished in 2004 and its functions transferred to the Commonwealth. According to Noonan:

“A further objective of the Commonwealth (for this move) may have been to gain direct influence over VET policy and outcomes through direct government-to-government negotiations and agreements with the states and by direct funding and policy interventions.”¹⁰

Under Labor’s Rudd Government, National Partnership Agreements were established to support specific outputs in delivering agreed reforms. These agreements served as a further mechanism for the Commonwealth to influence the VET policy and implementation. In 2008 the National Agreement for Skills and Workforce Development was signed with the central objective of halving the proportion of working age Australians without Certificate III or above, and doubling the number of higher level qualifications. In 2012 the National Partnership Agreement on Skills Reform (2012–2017) was also signed, with state funding contingent on a state’s ability to meet certain reforms. These reforms included:

- Access to a national training entitlement for eligible groups;
- Facilitating the operation of a more open competitive market; and
- Income contingent loans through VET FEE-HELP.

When this agreement finishes in 2016–17, funding to the states will fall by nearly \$500 million. This agreement has been unpopular with so many groups that it led to the Australian Greens calling for it to be ripped up as part of the party’s 2016 election campaigning.

No other education sector has been as contested as the VET sector, or as changed and underfunded. In just over four decades TAFE has developed into 53 institutes across the country. These institutes are now competing for funding and their place in the VET market against thousands of private providers, many of whom are also dependant on government funding for their business survival. Out of the TAFE story come those issues that have driven the VET changes, the drive for a national system with national consistency, the influence of industry and employer groups with their own particular and often narrow requirements, the battle between the Commonwealth and the states as to who is responsible for funding, and at the heart of it all, the actual role of TAFE in Australia’s tertiary landscape.

“No other education sector has been as contested as the VET sector, or as changed and underfunded. In just over four decades TAFE has developed into 53 institutes across the country.”

The role of TAFE

What different stakeholder groups, including governments, want from TAFE and VET is contested. In the lead-up to the 2016 Federal Election both the Labor Party and the Greens espoused the critical role of TAFE as the public provider: the cornerstone of VET. The Liberal/National Party Government was largely silent. The federal government talks VET these days, rarely TAFE. This lack of a clear vision and agreed role for TAFE within the wider VET sector is a matter of concern. In Yu and Oliver's report *The capture of public wealth by the for-profit VET* they make the case for the restoration of funding to TAFE as a matter of importance with the concern that unless a more sustainable funding model for TAFE is found, then the public confidence in the VET sector is likely to be eroded. They go on to explain the role of TAFE as being "paramount in the delivery of training in areas of skills shortages and to student equity groups, but also as the custodian of quality vocational education".

"In her comprehensive history of TAFE in 2001, Goozee attempts to describe the different roles and expectations of TAFE, and in doing so draws distinctions between TAFE and the other sectors of education. She says: 'Ever since its inception, TAFE has been expected to fill all the educational and training gaps'."

They draw the distinction between TAFE and other providers as being that: "TAFE has an obligation to serve fields of education, all student backgrounds and all areas of Australia. TAFE does not have the option of targeting only profitable areas of delivery."¹¹

In her comprehensive history of TAFE in 2001, Goozee attempts to describe the different roles and expectations of TAFE, and in doing so draws distinctions between TAFE and the other sectors of education. She says: "Ever since its inception, TAFE has been expected to fill all the educational and training gaps."

She goes on to give an overview of TAFE's role, saying,

"Today TAFE is expected to provide the VET needs of industry, the entry-level VET requirements of 15–19 year olds, the special needs of disadvantaged groups within society and the retraining needs of those who wish to re-enter the workforce after an absence or as a result of redundancy. Whilst the other two sectors of education have clearly defined roles, the schools by age and the universities by awards, TAFE, throughout its long history, has been required to fill all the other educational needs of the community and industry."¹²

A 1997 discussion paper by Fooks, Ryan and Schofield noted that ANTA had been eclectic about the training market in that it had pursued vigorously the open market concept but at the same time, had clung strenuously to the idea that TAFE would continue to be an instrument for pursuing government policy. ANTA is also quoted as stating that TAFE provides the means to guard against market failure as it provides opportunities of scale not possible in smaller institutions. The discussion paper goes on to say that, "in other words, TAFE is to be education's version of the Flying Dutchman, instructed to go forth and compete but forever destined to beat against the wings of regulation and directions from which all its competitors are exempt".¹³

The ANTA review of 1996, undertaken by Taylor considered the role of TAFE noting that there was resistance in parts of TAFE to the direction of national training reform, particularly in the growing role for markets and competition. This was attributed, in part, to a failure to articulate a clear role for TAFE within a growing VET sector.¹⁴

As the major employee and employer advocacy groups for TAFE, both the Australian Education Union (AEU) and TAFE Directors Australia (TDA) have been responsible for significant research and strategic positioning of TAFE over the years. They have attempted to influence governments, with varying degrees of success, and to ensure that TAFE's role is valued and funded.

TDA released a National Charter for TAFE in 2012 that sought to influence the Federal Government in the implementation of a national training entitlement. The Charter recognised the innovative and leadership roles of TAFE, including its pivotal position in rural and regional Australia. This was supported by a paper titled *TAFE's strategic leadership role in regional Australia*, which described the value of TAFE in these areas. It said:

"In most parts of regional and rural Australia, TAFE has a far greater community and geographic reach than other educational institutions and public and private sector employers... TAFE has a number of unique strengths. These include:

- A comprehensive educational profile that is inclusive of all sections of the community and its geographic reach into the most remote parts of the country ensures equality of opportunity, participation and skill enhancement for all regional Australians.
- A dual focus on addressing both local workforce skill requirements and the educational aspirations of individuals enhances the capacity for communities to retain the skilled population necessary for economic revitalisation."¹⁵

TAFE's role in building community capacity is one recognised as important by educators and other stakeholders, but not always valued by governments.

In 2013, TDA released a discussion paper on TAFE in the tertiary sector, which urged "a consolidated effort by all jurisdictions to unleash the capability of Australia's public, technical and further education providers, again by recognising their distinctive role, including in higher education".

The report recognises the diversification of TAFE with many institutes now delivering degree programs.

In 1998 the first major review of TAFE since the Kangan Report was undertaken by the House of Representatives, called *Today's training, tomorrow's skills*. The report stated that governments have failed to clearly articulate their vision of Australia's TAFE system, and that its status urgently needed to be rebuilt in the VET sector.

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The report said that institutes of TAFE play special roles which other providers of further education generally do not fulfil. It identified TAFE's primary role as the delivery of VET, adding that "it strives to meet this role while monitoring social equity objectives. It is this unique aspect of TAFE that is its defining quality".

These words have been brought back over the years, with a similar view presented by other reviews.

In recent years there have been two Parliamentary inquiries into TAFE and one into private providers, and most recently an inquiry into VET FEE-HELP. There have also been inquiries at a state and territory level that have driven changes to VET in that particular jurisdiction. All of these have been driven by continuing uncertainties and at times crises in VET, especially around funding. The most recent is the 2015 Victorian VET Funding Review undertaken by Mackenzie and Coulson. The review sets out how to best design the state's VET funding model and establishes the pivotal role of TAFE institutes as publicly funded providers, a reaction to the parlous state of TAFE institutes in Victoria.

As part of its move into a competitive training market, the NSW Minister for Education,

Adrian Piccoli released the *TAFE NSW Statement of Owner Expectations* in 2013. The statement sets out certain obligations for TAFE including the expectation that it will compete in a contestable market and deliver specialist training in thin markets or high-cost areas. It raised the issue of TAFE's community service obligations, and TAFE delivering skills critical to the NSW economy. It stated:

"TAFE NSW enjoys strong brand recognition, market penetration and widespread personal experience of its services within the NSW community. The people and businesses of NSW expect the public VET provider to deliver a choice of courses and make them widely accessible across the State."

In 2014 there was a House of Representatives inquiry into TAFE and its operation, entitled *TAFE: an Australian asset*. The recommendations covered the role of TAFE, quality of VET, pathways to employment and university, TAFE in the competitive training market, and funding – including for students experiencing disadvantage. The subsequent report attempted to define the scope of TAFE's role:

"As part of its move into a competitive training market, the NSW Minister for Education, Adrian Piccoli released the *TAFE NSW Statement of Owner Expectations* in 2013. The statement sets out certain obligations for TAFE including the expectation that it will compete in a contestable market and deliver specialist training in thin markets or high-cost areas."

“The Australian Government should, through the Council of Australian Governments, make a value statement comprehensively defining the role of TAFE within the VET sector together with its future direction in the competitive training market, from a national perspective.

This statement should recognise that the affordability and accessibility of the training market is underpinned by a strong public sector provider and acknowledges the following functions that TAFE, as a major and significant not-for-profit public provider, can uniquely bring to the VET sector:

- Setting a benchmark for price that ensures the market doesn't simply drive prices up to meet either public or private funding maximum levels;
- Delivering community support obligations and ensuring the provision of support across all population centres and groups;
- Ensuring that thin markets are covered to maximise the provision of skills needed by both the economy and society;
- Delivering support for regions and industries in transition, including working with community leaders to identify changing skills profiles needed for the future and analyse training needs for displaced workers and jobseekers;
- Identifying and investing in skills development for new, innovative and emerging industry sectors such as advanced manufacturing, green skills, and information and communications technologies;
- Providing pre-employment courses, particularly language, literacy and numeracy and digital skills as well as job readiness courses; and
- Providing mature age learners and early school leavers for whom TAFE is the most appropriate pathway with access to pathway qualifications in order to undertake further study.”¹⁶

A 2014 Senate inquiry into TAFE provided a range of recommendations that focused on the role of TAFE, a managed market, funding that reflects the true costs of TAFE delivering these services, fees, improved standards for RTOs, and the need for a national workforce strategy for TAFE. This focus on TAFE's workforce and the need for professionally qualified teachers was welcomed by many concerned that the current national standard for trainers and assessors was only a Certificate IV in Training and Assessment, with no ongoing educational development requirements. This recommendation built on the view that TAFE's competitive edge was in its professionally qualified workforce.

A number of submissions to the Senate inquiry emphasised the diversity of TAFE's role including the Australian Workforce and Productivity Agency (AWPA) which gave evidence demonstrating that close to 30 per cent of students accessing TAFE were second-chance students, defined as “early school leavers aged 24 years and below, and adults aged 25 years and over who have not completed a non-school qualification”.¹⁷ The emphasis was on the need for TAFE to be funded as the provider of second chance-education, rather than government and industry making the assumption that all VET was about initial career and vocational training.

“It is not unexpected then that many educators and other concerned individuals have lost confidence in governments consultatively and thoughtfully addressing the problems in VET.”

Unfortunately, most of these national recommendations have not been further considered or implemented and the hard work of stakeholders who contributed to the reviews largely ignored. It is not unexpected then that many educators and other concerned individuals have lost confidence in governments consultatively and thoughtfully addressing the problems in VET. While there is a need for a review of tertiary education around the relative roles of higher education and VET, and the consequent position of TAFE, it is pointless without the goodwill and assurance of governments to seriously consider and then be willing to fund and implement changes. Further reviews that go nowhere or are established to meet the requirements of specific industry/employer interest groups are not needed by a sector already suffering change fatigue.

Funding of TAFE

One of the most critical issues affecting the VET sector overall, and TAFE in particular, is the continued cuts to funding at both Commonwealth and state levels. Most reviews and reports have recognised this and called for additional funding for TAFE, in light of its unique role and to ensure it can compete in a competitive market. This concern works hand-in-hand with the need to clarify the role of TAFE, because dependent on what that role is then funding needs to follow.

One of the few states to increase TAFE funding in recent years has been Victoria. The Andrews Government has put in place a TAFE Rescue Fund of \$320 million to reopen campuses and support others.

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The previous Victorian government had overseen massive funding cuts to TAFE resulting in job losses, course cuts and campus and facility closures. The cuts resulted in five TAFE institutes rated as having a high financial sustainability risk. Consequently, TAFE was a significant election issue in Victoria in 2014, giving the Andrews Government a mandate for increased investment in TAFE.

The Productivity Commission’s report on Government Services 2016 notes that:

“Since 2005, government real recurrent VET expenditure has increased 4.1 per cent, while the number of government funded annual hours has increased 51.8 per cent. As a result, government real recurrent expenditure per annual hour has declined 31.5 per cent over the past 10 years – from \$16.64 in 2005 to \$11.40 in 2014 – at an average annual rate of decline of 4.1 per cent.”

The report also provides details of funding provided on a competitive basis:

“In 2014, \$2.4 billion (46.4 per cent) of government VET funding was allocated on a competitive basis – a 4.4 per cent decrease in real terms from 2013, of which \$1.5 billion was allocated to non-TAFE providers. Funding to non-TAFE providers has grown 222 per cent since 2005, at an annual average rate of 13.9 per cent.”¹⁸

The report provides a clear picture of decreased funding to VET overall and of those funds, increasing amounts are allocated to non-TAFE providers.

The Australian Education Union’s (AEU) journal, *The Australian TAFE Teacher*, presented data from the *2015 Report on Government Services* showing that VET continued to be the lowest funded of all education sectors. It demonstrated how in 2009 TAFE had 69 per cent of the market share which had dropped to 56 per cent in 2013. At the same time private provider share of the market had grown from 21 per cent to 37 per cent.¹⁹

Vinson argues the case for addressing funding cuts to TAFE in order that it can meet its social inclusion responsibilities. In a speech at Mildura in 2009, he said:

“Further education has a crucial role to play in engaging with those individuals with the poorest experiences of compulsory and formal education. A local example of this effect has been – prior to the cuts – the growth in confidence of socially reticent, unsophisticated young people of limited formal education undergoing hospitality training accompanied by very basic development of verbal skills. This progress has sometimes facilitated a truer expression of the young person’s abilities leading to new career opportunities. This amounts to a practical realisation of a revered Australian value – the fair go, people having the chance to progress according to their talents – and we should not squander precious opportunities of making it a reality. How can declared social values like the fair go be reconciled with the fact that government funding for TAFE has been declining over the past 15 years?”²⁰

Additional funding has been a recurring theme of the inquiries and reviews into TAFE and VET, not just because of the cuts at both Commonwealth and state levels, but also because governments continue to stress the need to increase the skills level of the Australian workforce to build Australia’s economy. The Australian Workforce and Productivity Agency (AWPA), which was abolished in 2014, produced a 2013 report entitled *Future Focus: 2013 National Workforce Development Strategy*. The report called for an overall increase of funding to VET of three per cent per year until 2025, which is approximately \$1.2 billion per year. AWPA saw this as necessary to meet Australia’s future skills needs.²¹

Burke from Monash University presented a paper at the Australian VET Research Association 2015 conference where he concluded that:

“Recent growth in the VET sector has been characterised by declining funding per student hour of training. An example of the resulting effect on quality is insufficient training for students to achieve competencies...The introduction of open-ended funding of private providers before effective quality-assurance of assessment procedures left the system open to fraudulent providers.”²²

Marketisation

The actual drivers and decisions that led to a competitive training market are a little unclear, but generally relate back to the 1990s, ANTA, the Deveson Report and the introduction of National Competition Policy. The arguments for a competitive training market were based on the view that TAFE had a monopoly, there was a lack of responsiveness by TAFE to the needs of industry and there was a need to give greater attention to the demand-side of the market. In terms of discussion, the buyers and consumers were defined in industry terms with little or no regard to the social objectives of public policy nor the students or trainees.²³

In fact, employer satisfaction with TAFE and the wider VET sector has been consistently around the level of the high 70 to low 80 per cent mark as long as measurements have been available. However, given that non-customised training does not suit everybody, the supposed non-responsiveness of the VET system seems to be little more than a mantra called upon whenever some significant public sector driven change is proposed.²⁴

A report by the National Centre for Vocational Education Research (NCVER), *Developing the training market of the future*, suggested that in general a training market would set out to:

- Stimulate greater competition among public and private providers and thereby increase incentives for providers to respond to client needs, particularly enterprises/industry.
- Enhance efficiency and effectiveness in publicly funded training.
- Increase private investment in training by individuals and enterprises/industry.
- Promote the development of a more integrated and nationally consistent training system.²⁵

Denniss in his paper for the NCVER publication *Competition in the Training Market* argues that it is unlikely that any move towards a free market in VET would deliver significant long-term benefits to the sector or the economy as a whole. The nature and extent of market failures in the VET system, he says, “are too great to create an informed, equitable and stable competition”.²⁶ His concerns have been echoed by industry groups who have expressed concern at the speed and seeming ad hoc nature of the roll-out of national entitlement in some jurisdictions, and the lack of appropriate checks and balances with their implementation.²⁷ While the Australian Skills Quality Authority (ASQA) was established in 2011, it has not had the information and power needed to ensure that there is real oversight of a VET system with over 4000 providers.

“Without proper regulations in place, the income contingent loan scheme has led to significant sorting by some private providers, placing the status and reputation of the whole of the VET sector in jeopardy.”

In 2015, the AEU commissioned a report from the University of Sydney's Workplace Research Centre, entitled *The capture of public wealth by the for-profit VET*. The report showed that the reforms to VET had led to a sharp reduction in government spending per hour of VET delivery and a massive transfer of wealth from taxpayers to the owners of for-profit training providers. The publicly listed for-profit providers show profit margins of around 30 per cent, according to the report. Yu and Oliver, authors of this report, point out that a competitive market will fail in VET because the educational experience can only be evaluated after it is delivered (in other words students cannot really assess how good a provider is before-hand) and that the sector is characterised by for-profit providers "whose business models have scant regard for educational standards."²⁸ The report also proposes that if contestable models remain, the proportion of government VET funding allocated contestably should be 30 per cent. This has been the basis for the AEU's *Stop TAFE cuts* campaign call for 70 per cent of Commonwealth funding being allocated to TAFE.

"The effectiveness of the VET training market has been questioned by many commentators. Has it led to increased numbers of students in training? Are there more quality opportunities available for undertaking a qualification? Has it led to more flexible courses meeting the needs of industry and the community?"

Another significant market failure in the VET sector, relates to VET FEE-HELP loans available for those studying Diplomas and Advanced Diplomas. Without proper regulations in place, the income contingent loan scheme has led to significant rorting by some private providers, placing the status and reputation of the whole of the VET sector in jeopardy. The Federal Government's current VET FEE-HELP discussion paper provides horrifying statistics showing that over 270,000 students now need to take out a VET FEE-HELP loan to study in VET, public borrowing for the loan scheme is now \$2.9 billion in 2015, and the Government does not expect a lot of these loans to be repaid.

At least 10 private providers have rorted the system, accounting for more than half the loans, with inappropriate marketing practices and not delivering the education they promised. The loan scheme has been a significant factor in driving up fees overall for TAFE and VET courses, where now a VET qualification can be considerably more expensive than a university degree. The historically accessible TAFE system is now at risk, with many students not able to afford the fees charged.

The effectiveness of the VET training market has been questioned by many commentators. Has it led to increased numbers of students in training? Are there more quality opportunities available for undertaking a qualification? Has it led to more flexible courses meeting the needs of industry and the community? Given the skewing of the market by some providers 'cherry-picking' the publicly funded qualifications they will deliver, governments and industry should be concerned.

This skewing of the market can be seen in the number of Diplomas in business and personal trainer qualifications that have been offered using public funds by some private providers. Marketisation of VET has driven a loss of education and social objectives from the discussion and funding of VET, a significantly less integrated training system with less consistency and transparency than over the previous four decades, a market that has allowed some private providers to rot the system taking government funding without providing students a quality education in return, and a VET system in crisis.

What TAFE can do

There have been a number of proposals from stakeholders, some already outlined in this chapter, as to how TAFE can position itself in the future. These proposals focus on the need for an independent review of TAFE and the tertiary sector, and for TAFE to further develop its unique strengths in this competitive market.

Noonan calls for a new VET settlement, which according to Ryan, would:

“Seek to accommodate the basic dichotomies which have too often been elided or disguised: that VET serves both individuals and industry as well as communities, that it has economic and social justice dimensions, that it is tertiary and sub-tertiary, that there is a place for both market forces and public provision, that solutions are matters of short- or medium-term public administration and long-term cultural change.”²⁹

Noonan further makes the point in an article in *The Conversation* in 2014 that TAFE’s future will be found as a: “distinctive, high quality and flexible provider with a relentless commitment to student and industry engagement, competitive in all the markets in which it operates.”³⁰

TAFE Directors Australia in its 2012 call for a National Charter for TAFE, assert that agreement should be reached by governments around TAFE’s full service provision in regional, rural and remote areas, areas of skills shortages, and to students from low socioeconomic status backgrounds, Indigenous students, and those requiring additional support for successful completion of their qualifications. TDA has also recognised the need for TAFE to take on a new role in innovation and applied research, making the connections between applied research, innovation and quality outcomes for students, and has called on government support through its Innovation Plan.

“There is a message here to governments around the diversity of the system and the danger in using single policy instruments. Positioning TAFE as just another training provider fails to recognise the value of TAFE to its students and clients.”

Australian Education Union Federal TAFE Secretary Pat Forward writes in a campaign blog:

“The vocational education system is broken and the future of TAFE is in the balance. Billions of dollars are currently being wasted – churned into profits by a voracious and canny for-profit sector... Young people need a comprehensive vocational education that sets them on a path to learn and adapt throughout their lives, not just-in-time, narrow skills for today. Australia needs to guarantee a minimum 70 per cent funding to TAFE, and allow it to rebuild confidence and trust in vocational education. There is a lot at stake if TAFE is allowed to die.”³¹

Guthrie and Clayton assert the need for TAFE to re-emphasise and re-focus on teaching, learning and assessment as core business.³² This focuses on the importance of a qualified innovative workforce that will distinguish TAFE from its competitors.

While referring to VET in general, Ryan makes some critical comments about the one-size-fits-all approach of governments. He says:

“Australian VET is an extremely diverse system, with a wide variety of purposes, programs, values, clients, institutional forms, geographic presence and instructional techniques. Policy innovation which adopts a one-size-fits-all approach is usually wasteful and ineffective. In particular, the three very broad streams of VET—indentured and similar training, remedial and general education, and advanced vocational education – will seldom be equally suited to single policy instruments in relation to funding models, curriculum approaches or service delivery.”³³

There is a message here to governments around the diversity of the system and the danger in using single policy instruments. Positioning TAFE as just another training provider fails to recognise the value of TAFE to its students and clients. As the TAFE Community Alliance argued in their presentation to the 2014 Senate Inquiry:

“We view public education and training as focused on building a productive and skilled workforce and also an inclusive and fair society...The TAFE system offers the codification of training. It offers a quality standard. There is consistency across the country. If you see that disappear, you will see fragmentation and fracturing. I wonder about the quality and the sustainability of that market.”³⁴

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3. Quality and choice: Securing Australia's workforce skills

Rod Camm

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The vocational education and training sector has faced criticism centring on flaws in program design and implementation that have been exploited by a few providers and their agents. It is important that the benefits of the VET provider network are maintained and enhanced to support predicted skills challenges facing Australia.

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Rod Camm took the position of the Chief Executive Officer of the Australian Council for Private Education and Training in October 2014. Prior to this Mr Camm was the Managing Director of the National Centre for Vocational Education Research. He also held senior appointments with Skills Queensland, Department of Education

and Training and Construction Skills Queensland as well as a range of other executive roles in Government. He has performed the role of director on a range of boards and is a fellow of the Australian Institute of Company Directors. He has an Executive Masters of Public Administration.

Introduction

The vocational education and training (VET) sector has a long-standing, proud tradition of providing skills for jobs. While governments have come and gone and various reforms have been introduced, the sector itself has proven to be resilient in producing industry recognised skills.

However, in the last year or so the sector has faced criticism as concerns with the federal government's VET FEE-HELP program have been revealed on an almost daily basis in the press and on current affairs programs. The "dodgy-provider" tag has gained widespread recognition not just by those working in the sector but more broadly in the community.

While criticism of those (relatively few) providers that have exploited students and taxpayers is justly deserved, the strong reputation of the diverse network of public and private providers that has developed over the last 20 years has been unfairly tarnished. More important is the risk that knee-jerk reactions to this criticism will result in unnecessary red tape, greater regulation of all private providers and the winding back of 20 years of reform, most notably contestability in government-funded training. These measures would reduce the capacity of this diverse network to respond to the workforce needs of an economy in transition. During the recent federal election campaign there were some alarming calls to guarantee an increased proportion of funding for government-run providers and to retreat from a proud history of reform where students and industry have increasingly been given the opportunity to choose their skills program and provider.

The recently elected federal government has to immediately turn its attention to how it will re-cast the VET FEE-HELP program in light of the market design and implementation failures that have been well documented. While the provider sector has borne the brunt of criticism, the fact remains that it was government that bankrolled the program and continued to approve funding, despite enrolments growing at an alarming and unsustainable rate.

The federal government must also consider the development of new national governance and funding arrangements with the states and territories to replace the current skills agreements that expire in June 2017. With the sector more fragmented than ever before, the need for genuine vision and leadership is unparalleled.

In the days of the Australian National Training Authority, industry drove a hard agenda to improve the national consistency of the sector and to ensure that the end users – employers – sat at the reform table. One can only wonder how the former industry leaders would view today's governance arrangements, which are characterised by an unclear role for industry, declining state and territory levels of investment, a lack of attention and action on apprenticeships and different priorities, funding models, purchasing regulations and suppliers across each state and territory. It is unlike the system envisaged by the then Treasurer Paul Keating.

Despite the recent controversies, the overwhelming story of the sector is one of high-quality training producing strong outcomes for students and industry. It is important that the benefits of this diverse, flexible, VET provider network are not undermined, but maintained and enhanced to support the skills challenge of the unprecedented change predicted for Australia's workforce. More than ever, Australia needs a VET sector that offers students and industry real choice, flexibility and innovation that meets their needs and supports Australia's economic growth.

Contestability and the role of private providers

A real strength of the VET sector is the diversity of its provider network. In addition to public metropolitan and regional TAFEs, the industry has seen the emergence of a number of large corporate providers with student numbers comparable to previously dominant TAFEs. In addition, there is a vast array of medium and small providers, many who offer niche training to small student cohorts.

While there have been some recent issues with VET FEE-HELP, and to some extent several state VET programs, there has been more than 20 years of successful contestability in the sector. Since the 1990s (and in some states the 1980s), for example, apprenticeship and traineeship training has been delivered successfully through the User Choice arrangements across the country. Apprentices and their employers have a choice of provider to deliver their trade training.

States and territories have also progressively opened up some of their other VET programs to increased contestability, with most now having a diverse range of public and private providers delivering their government-funded programs. Of course, TAFE remains a key and valued provider particularly in some of the trade areas where it benefits from significant infrastructure capacity.

National Centre for Vocational Education Research (NCVER) data indicates that of the 1.79 million enrolments in government-funded training in 2014, some 60 per cent was delivered by 58 TAFE institutes. The balance was delivered by a diverse network of providers that included more than 1600 private and other registered providers.¹

Of course we now know that government-funded training makes up about half of the accredited training delivered in Australia with the balance including fee-for-service activity where private providers play an even greater role. The recent first publication of Total VET Activity by the NCVER shows that in 2014 there were 3.9 million enrolments nationally. Some 2800 private providers delivered more than half the total training activity and more than double that of TAFE.²

Analysis of this data highlights that in the key Certificate III qualifications that are the typical entry qualifications for many industries, private providers delivered 44 per cent of activity compared to 35 per cent for TAFE.³ This same analysis shows that private providers delivered 32 per cent of all completions compared to 23 per cent for TAFE and 16 per cent for community and enterprise based providers.⁴ Job seekers have better employment prospects if they study with a private provider.

Private Registered Training Organisations (RTOs) are now the major providers of accredited skills training for industry and students in Australia.

While so much of the recent public commentary would infer a sector full of dodgy providers and students and employers dissatisfied with the training they receive, the data paints a different picture. A 2015 national survey indicates 81.7 per cent of employers of apprentices and trainees were satisfied they were receiving the required skills – this was up 2.9 per cent on the previous survey in 2013 and above the level a decade ago.⁵ Likewise, students are expressing strong satisfaction levels with a recent survey indicating 86.7 per cent of graduates and 84.5 per cent of module completers in government-funded training were satisfied with the overall quality of their training, similar to the 2014 levels and those over the preceding decade.⁶

“While so much of the recent public commentary would infer a sector full of dodgy providers and students and employers dissatisfied with the training they receive, the data paints a different picture.”

What's been the problem?

Private providers are clearly playing a leading role in responding to career aspirations of students and the workforce needs of business and industry – and achieving high levels of satisfaction. The quality issues, though important, are clearly not widespread but rather largely the result of poor program design and implementation flaws that have been exploited by a few providers and their agents. While concerns with the VET FEE-HELP program have been prominent, it equates to about seven per cent of national VET enrolments. The constant media reporting has, in fact, been largely repeating the same issues with the same providers.

Unfettered and uncapped access provided by the federal government's VET FEE-HELP program provided the basis for the exploitation by a small number of providers and their agents. This hands-off program management approach (an oxymoron at best) saw it grow tenfold, from 26,100 students in 2010 to 272,000 in 2015. Student loans funded by the program grew from \$118 million to some \$2.9 billion over the same period. The average student loan increased from \$5917 in 2012 to \$14,018 just three years later.⁷ Some of this might be defensible if there were rolled-gold outcomes, but unfortunately completion rates were generally about 10 per cent lower than for comparable students not studying with VET FEE-HELP support. For example, students studying externally had a completion rate of seven per cent compared to 23.1 per cent for comparable students not studying with VET FEE-HELP support.

Who was actually monitoring and approving this expenditure? It is worth noting that the great bulk of providers still delivered quality training that built on their long and proud record of supporting students, industry and their communities. Despite all of the flaws of the program, quality providers put the needs of their students first. They shared the broad concerns with the actions of a small minority of providers.

Put simply, while the program had an ideologically strong focus on letting the hand of the market guide decisions around delivery, quality and pricing, the market information and price signals that would guide rational, informed decisions were essentially absent. This hands-off approach together with some unfathomable administrative arrangements – such as providers being essentially paid upfront – attracted profit seekers and poor practice.

It is little wonder Senator Scott Ryan, the then Minister for Vocational Education and Skills, described VET FEE-HELP as possibly the worst crisis in the sector for 20 years. The previous government belatedly admitted the design flaws and set in train a raft of measures to restore some integrity to the program.

“The quality issues, though important, are clearly not widespread but rather largely the result of poor program design and implementation flaws that have been exploited by a few providers and their agents.”

With the interests of students the predominant consideration, the Australian Council for Private Education and Training (ACPET) strongly supported the great bulk of the measures introduced to protect students and taxpayers and looks forward to working with the federal government to develop a new VET FEE-HELP program that supports quality training and outcomes for students, businesses and industry.

Similar concerns, although not to the same scale, were also experienced in Victoria with very few budget or other controls over the early delivery of training under its Victorian Training Guarantee. Like the federal government, the Victorian Government is implementing reforms to rein in the excesses that arose from poor program design and implementation.

These recent concerns have also provided a salutary lesson for the industry and its role in ensuring quality providers are developed and supported. For its part, ACPET has recently overhauled its membership arrangements with much more stringent entry requirements along with measures to deal with members who don't meet the high standards of its code of ethics.

A way forward that supports quality and choice

In CEDA's major report, *Australia's future workforce?* a number of contributors detail the significant changes that are likely to impact the Australian workforce over the coming decades as a result of technological change and related factors.⁸ The fact that some 40 per cent of the workforce might be replaced by technology in the next 10 to 15 years is confronting.

The report highlights the shift to high skilled jobs and the need for workforce innovation. Clearly there will need to be a vocational education and training sector that, more than ever, can innovate and respond flexibly to the new challenges and opportunities that will confront the Australian workforce. This means more, not less, contestability and choice in the VET sector is required into the future.

The benefits that can flow from greater contestability in training and other human services were highlighted in the 2015 Competition Policy Review (Harper Review) final report.⁹ The Harper Review outlines the potential benefits of competition in human services including lower prices, greater efficiency in service provision, greater innovation and improved customer choice.

Conversely, the failure to adopt a strong VET reform agenda and contestable market is detailed in the New South Wales Auditor-General's report on the early implementation of that state's *Smart and Skilled* student entitlement initiative.¹⁰

“A focus on engaging quality providers with a track record would mitigate the need for a proliferation of regulation, such as that witnessed following the issues identified with the VET FEE-HELP and several state programs.”

The report finds that the priority was on budget neutrality and TAFE's viability at the expense of student choice, and greater contestability to the detriment of the return for the public investment.

The Harper Review¹¹ provides some guiding principles to support greater competition and choice in human services. The principles state that:

- User choice should be placed at the heart of service delivery;
- Government should retain a stewardship function, separating the interests of policy (and funding), regulation and service delivery;
- Governments commissioning human services should do so carefully, with a clear focus on outcomes;
- A diversity of providers should be encouraged, while taking care not to crowd out community and volunteer services; and
- Innovation in service provision should be stimulated, while ensuring minimum standards of quality and access in human services.

A strong message from the Harper Review is that governments have a key role as stewards in the delivery of human services – they cannot distance themselves from the quality of services delivered. This stewardship role includes policy design, funding, regulation and provision.

Reflecting the need for a more nuanced approach to human services procurement than competitive tendering, where there may be an emphasis on price at the expense of other factors like fairness and responsiveness, the Harper Review highlights the need for a focus on outcomes.

This focus on stewardship is particularly relevant given the recent concerns with some VET markets, particularly VET FEE-HELP, where it could be argued government stewardship has been inadequate.

For the future delivery of government-funded VET that means, first and foremost, that student choice is fundamental to any program reforms. As the Harper Review says, user choice should be placed at the heart of service delivery.

This does not mean governments have to contract with any and every Registered Training Organisation (RTO) to deliver government-funded training. It means, once again drawing on the Harper Review principles, selecting providers that have a sound track record in delivering quality training and outcomes for students and industry. A key lesson from the recent VET FEE-HELP and state program issues is that the standards for RTOs provide a regulatory base, and cannot guarantee quality outcomes. Governments need to act as discerning purchasers – part of the stewardship role highlighted in the Harper Review.

A focus on engaging quality providers with a track record would mitigate the need for a proliferation of regulation, such as that witnessed following the issues identified with the VET FEE-HELP and several state programs. The response to issues with the VET FEE-HELP program, in particular, has produced program guidelines and other requirements that almost defy interpretation, implementation and administration. They simply add additional compliance costs for providers, students and the administering agencies.

A more appropriate response would be to adopt a risk-based approach that calibrates oversight and regulation to the calculated risks. This would consider risk factors like the student cohort, industry area, and provider performance, including outcomes. It would enable program administrators and regulators to focus resources on identified risk priorities.

In this scenario, VET regulators would monitor trends in enrolments and completions and intervene where concerns are evident. This would extend to suspending enrolments at a provider who could not demonstrate a strong hold on quality during any growth phase. Other powers to contemplate include the capacity to regulate the length of a course where it is outside of industry standards and the requirement for providers to separate their commercial and academic decision making processes.

Stewardship of the sector also does not mean governments narrowly identifying and prescribing the detail of courses to be funded. While picking courses to be funded might seem reasonable at first glance, the dynamic needs of the workforce and labour market means the need for particular courses can quickly become redundant. It's only a few years since Australia had an imminent mining skills shortage crisis.

Governments are not best placed to select the best course and best provider to suit a particular employer or student. The economy changes too fast, so ultimately it must be about the integrity of the qualification. Certainly, there is a role for governments in setting their skills priorities, though not in prescribing particular courses. This should be determined by industry and students.

Of course, there is also a role for governments to respond to gaps in the market, for example, in responding to thin markets where demand may not support a market response.

Care should also be taken in setting the delivery price for particular courses. Such an approach would not support the flexibility, innovation and choice necessary to respond to the diverse needs of students and industry. The benefits that arise from price contestability, within industry standards, would also be reduced.

Arbitrary price caps would remove quality providers, whose delivery models are more expensive than the cap, or result in significant upfront student fees. In many industries like mining, for example, where there is increasing simulation in skills development, there can be significant cost differences to more traditional approaches. Alternatively, providers cut costs and offer discount qualifications. None of these options would appear to be in students' interests.

What is required to guide informed choice is far more transparent mechanisms to provide students and industry with greater information about providers, their pricing, and qualification and other outcomes, audit findings and student and industry satisfaction survey results. Much of this information is held by regulators and state and federal government agencies. It's time to get this information into the market in a way that is readily understood by students and other stakeholders.

“The workforce challenges and opportunities outlined by CEDA will require a VET sector that is well governed and funded. It is a fact that neither of these requirements presently exist.”

Time to sort out governance and funding

The workforce challenges and opportunities outlined by CEDA will require a VET sector that is well governed and funded. It is a fact that neither of these requirements presently exist. The current shared responsibilities between states and territories and the federal government essentially means eight models for the governance and funding of the sector. The Mitchell Institute has summarised the “tensions and weaknesses” of these current shared responsibilities. This includes the growing differences between jurisdictions in funding and consequent participation levels and differences in student eligibility for funding support.¹²

The financial constraints faced by some states and territories mean government funding has declined in recent years as several states have wound back their VET budgets. More concerning is the longer term trend of declining real investment. Productivity Commission analysis indicates government real recurrent expenditure per annual hour has declined 31.5 per cent over 10 years – from \$16.64 in 2005 to \$11.40 in 2014 – at an annual rate of decline of 4.1 per cent.¹³

The current blurring of responsibilities and funding has led to calls for reforms that address these tensions and weaknesses. The federal government, working with the states and territories, has committed to develop a Reform of the Federation White Paper and VET has been identified as an area for possible reform. An issues paper released in December 2014 canvassed a broad range of matters that are impacting adversely on the sector. Unfortunately, a green paper scheduled for 2015 outlining possible options for reform has not been forthcoming. A draft federal government proposal for it to take over responsibility was quickly rebuffed by several states and territories. The federal government’s management of VET FEE-HELP would certainly not have provided confidence in the proposal.

Nonetheless, there is a need to resolve the current inadequacies. There needs to be much greater clarity and agreement around the priorities for the VET sector into the future, the role and commitment to an open VET market to deliver on these priorities and the arrangements to fund them.

Without this clarity and agreement, the sector will decline with increasingly erratic governance and funding decisions driven by state and territory budget imperatives and their commitment to VET reforms, especially around contestability. This will increasingly put at risk the ability of the sector to meet the needs of students, industry and its workforce and the longer-term capacity to contribute to the economic growth of the nation.

Endnotes

- 1 NCVER, Government funded students and courses 2014 (Revised), p5
- 2 NCVER, Total VET students and courses 2014, p9
- 3 NCVER, Trends in public and private VET provision: participation, finances and outcomes, p68
- 4 ibid
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- 6 NCVER, Australian vocational education and training statistics: Government-funded student outcomes 2015, p9
- 7 Commonwealth of Australia, Redesigning VET FEE-HELP discussion paper, p17
- 8 CEDA, Australia's workforce future? June 2015
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4. Vocational learning in schools – an international comparison

Megan O’Connell, Kate Torii

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We look at the role of secondary schools in providing the foundations for effective vocational learning and improving the flow of highly capable learners to the workforce. Options to improve vocational learning in schools are proposed following an analysis of international innovations.

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Context and challenges

Facing unprecedented challenges brought about by rapid globalisation, transformations in industry, and fundamental changes in jobs and employment, Australia needs a different focus for senior secondary education that builds and recognises a broad range of skills capabilities and better meets the country's workforce needs. All young people will need a range of capabilities when they enter the world of work, be it in trades, service or professional roles. In Australian secondary schools, vocational education and training (VET) and academic learning are still conceptualised and taught as very separate streams – academic learning focuses on knowledge acquisition in traditional learning areas, and vocational learning through the VET in Schools (VETiS) program focuses on skills acquisition for a particular occupation or trade. This approach to education makes little sense given the range of capabilities that all people will need in the future workforce.

There is a broader role for vocational learning in schools to begin cultivating these capabilities – many of which are best developed through applied learning and work-integrated learning. Yet VETiS in Australia as currently practiced has a number of major limitations – narrow pedagogy, skewed participation levels, perverse funding incentives and a lack of employer recognition largely due to limited workplace learning opportunities.

This chapter pays special attention to the role of schools in providing the foundations for effective vocational learning and improving the flow of highly capable learners to the workforce.

In the following sections we consider two education systems, Switzerland and the Hong Kong Special Administrative Region of the People’s Republic of China (Hong Kong), which have taken alternative approaches. Switzerland embodies a long-standing European model that values, but separates, vocational from academic learning. Hong Kong has transitioned from a British style model, as in Australia, to a model with a more integrated approach to applied learning. We examine the approach in Australia, and compare with these two highly developed economies to get a better idea of what could drive change in Australia.

Educating young people for an uncertain future

The current school system in Australia is failing to engage many students, and many young people are making a poor transition from school to further education, training or employment. In schools across Australia, there are widening gaps in educational opportunity, achievement and engagement. Around one quarter of young people fail to complete year 12 or equivalent by age 19.¹

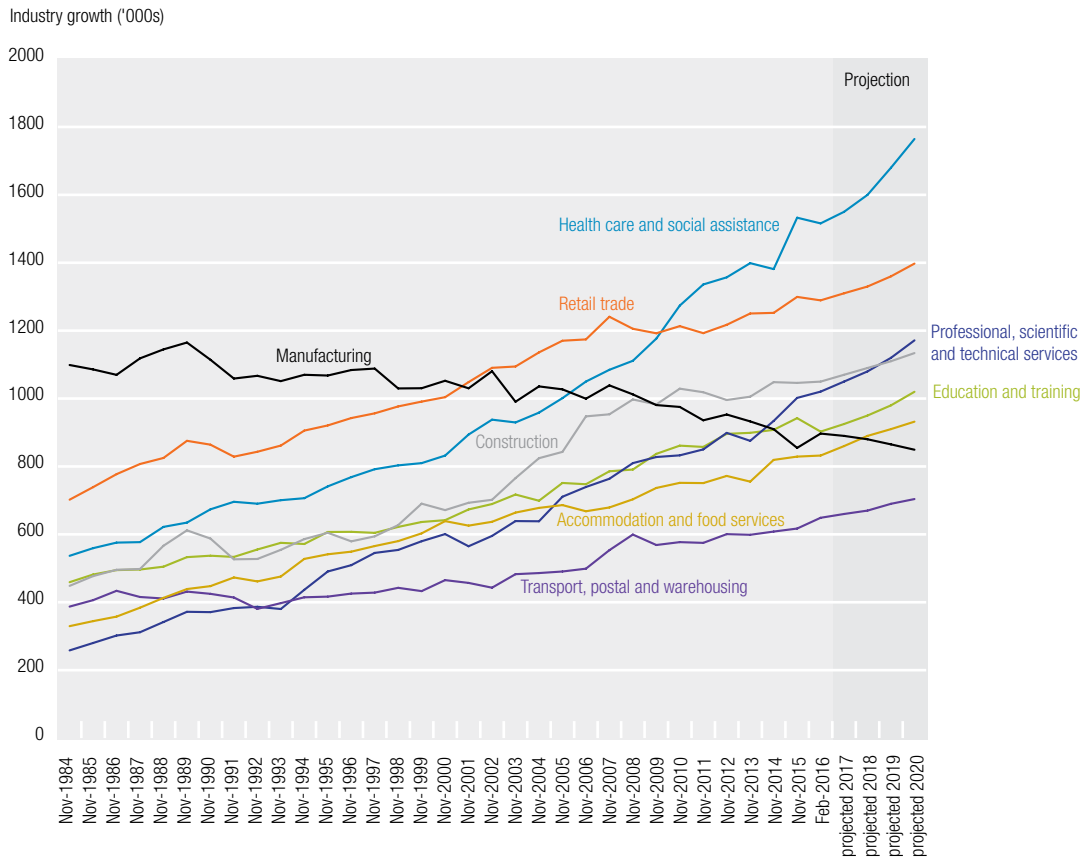
An approach to education that places a more universal emphasis on vocational learning is particularly pertinent for young people in Australia today, who are struggling to gain a foothold in the labour market. Around eight per cent of young people aged 15 to 24 are underemployed, while around 12 per cent are unemployed – double the national rate for 15 to 64 year olds.²

Even young people completing tertiary education are finding it increasingly difficult to enter the labour market. In 2014, only 68 per cent of bachelor graduates could find full-time employment shortly after graduation, the lowest number in over three decades.³ Nearly one in five VET students are unemployed upon graduating.⁴ The exception is apprenticeships, where most young people who finish stay employed.

Much has been written about future workforce uncertainties and digital disruption, including that most young people entering the workforce will be affected by digital disruption and that some jobs will be lost due to automation, although other jobs will be gained.⁵ How can we prepare young people for this uncertain future and for multiple careers across their working lives?

“The current school system in Australia is failing to engage many students, and many young people are making a poor transition from school to further education, training or employment.”

FIGURE 1
EMPLOYMENT PROJECTIONS



Source: Australian Bureau of Statistics Labour Force⁷.

There are some knowns within this uncertain territory. We know the sectors where job growth projections up to 2020 are highest – health care and social assistance, professional, scientific and technical services, education and training and retail trade.⁶

As the graph in Figure 1 shows, future employment growth in the short-term is likely in the service industries. It is vital that young people are prepared with broad vocational competencies for these growing industries, which include but are not limited to digital skills. STEM skills in isolation will not serve young people well into the future, they need to be in a vocational context.

The Organisation for Economic Co-operation and Development (OECD) has recently released a new and ambitious framework for assessing the global competence of school students around the world. The new approach recognises the multidimensional demands on individuals in increasingly complex globalised work environments. It sets the expectation for young people to be able to mobilise in-depth knowledge, cognitive and creative skills, values and attitudes, in order to be able to act collaboratively and ethically.⁸ This is a standard that Australian education systems need to work towards to prepare students for life and employment in a globalised world and to ensure the global competitiveness of Australia's future workforce.

To improve the pipeline of future engineers, the Centre for Real-World Learning in the UK has looked at how the education system can be redesigned to help young people develop the mindsets to be engineers. They found that habits of mind such as systems thinking, adapting, problem-finding, creative problem solving, visualising and improving are at the core of how engineers think and act, and that learning activities can be vastly improved to meet these needs. These approaches to building broad, vocational capabilities are becoming increasingly important in an era where individuals will navigate multiple occupations.

We can't predict with certainty what jobs will exist in the years to come but we can focus our education systems on fostering the types of capabilities and habits of mind that we know are indispensable in a modern workforce. These capabilities – such as resilience, creativity, critical thinking, and collaborative problem solving – are cultivated and developed over time. This process must start early, and can be best developed through experience and practice in the workplace – this would require a significant expansion of opportunities for students to engage in quality work-based learning.

International comparison

We look to Switzerland and Hong Kong for some innovative approaches to vocational learning in schools. Following a brief overview of these two locations, the authors break down their analysis by examining and comparing the structure of vocational learning within secondary education; the vocational curriculum; and approaches to vocational pedagogy in Australia, Switzerland and Hong Kong.

Switzerland and Hong Kong, while offering vastly different educational models, face a common challenge with Australia – how to foster globally competent and highly capable young people. Similar to Australia, both Switzerland and Hong Kong are reliant on a highly capable workforce to drive and innovate in largely knowledge-based economies. Hong Kong has a population of around seven million where the service sector accounts for 92 per cent of economic growth.⁹ Australia's service sector has been increasing as the manufacturing sector declines. Switzerland has a population of around eight million people and has limited natural resources (unlike Australia) and therefore relies on human talent to drive economic success.¹⁰

“We can't predict with certainty what jobs will exist in the years to come but we can focus our education systems on fostering the types of capabilities and habits of mind that we know are indispensable in a modern workforce.”

Hong Kong has recently undertaken a wholesale shift to a new curriculum. The new senior secondary school model in Hong Kong integrates applied learning with the core curriculum, and has changed to better develop students' capabilities as well as provide career guidance and skills for lifelong learning. Switzerland has successfully modernised its vocational education system in the last 20 years and now has one of the world's leading systems.

Structure of vocational learning in secondary education

The structure of schooling in Australia has evolved in the last 20 years to cater to a broader range of learners and learning styles. In addition to the general academic curriculum, vocational learning was formally introduced in schools in the 1990s and now takes the form of VETiS. In Victoria, students also have the option of an entirely vocationally-oriented high school certificate, the Victorian Certificate of Applied Learning (VCAL).

VETiS offers a complementary course of study by allowing students to complete or gain credit towards a nationally recognised VET qualification while undertaking a secondary school certificate. Vocational learning options now make up a core part of schooling for many young Australians. Over 240,000 15 to 19 year olds study VETiS nation-wide each year, with a higher representation of students from lower socioeconomic status (SES) backgrounds.¹¹

However, VET subjects offered in schools are usually at a low Certificate I-III level and are generally not perceived to be as rigorous and as prestigious as the traditional academic studies that put students on a pathway to university. Fees levied for VETiS tend to narrow offerings to subjects cheaper to deliver. Further, employers may not view VETiS as sufficiently work integrated.¹² Many students struggle to gain direct entry to the labour market with the lower-level VET certificates (Certificate I and II) they have attained at high school.^{13,14} While VETiS offers the basis of a good system, funding arrangements and concerns about the quality of offering make VET a less palatable choice for many young people.

Other countries take a very different approach. A well-established model in Europe – in countries such as Switzerland, Germany, the Netherlands and Austria – involves streaming students into separate academic and vocational pathways from an early age. In Switzerland, students finishing primary school are sorted by their schools into different lower secondary schools based on academic ability.¹⁵ From the age of around 15 to 16, when compulsory schooling ends, two thirds of all students choose to take the pathway to vocational upper secondary schools, while only 20 per cent choose to go to academic upper secondary schools offering a pathway to university.^{16,17} A number of studies examining the Programme for International Student Assessment (PISA) performance of Swiss students find that 40 per cent of Swiss 15 year olds who score in the top end of the range in PISA choose to pursue the vocational route in upper secondary school.¹⁸ Young people entering vocational upper secondary undertake a three to four year apprenticeship program at a company and spend up to two days per week at a vocational school.¹⁹ At the end of their apprenticeship they can sit an exam for the Federal VET Diploma.

“While VETiS offers the basis of a good system, funding arrangements and concerns about the quality of offering make VET a less palatable choice for many young people.”

While the authors do not advocate for streaming students in Australia, Switzerland’s structured approach presents a number of advantages, and students have strong outcomes. In Switzerland, 88 per cent of 25 to 64 year olds

have attained at least an upper secondary education, well above the OECD average of 76.3 per cent and the Australian 77.1 per cent.²⁰ Youth employment rates in Switzerland are no different to the rest of the population in Switzerland. In most OECD countries, including Australia, young people fare disproportionately worse in the labour market.²¹ Further, despite early streaming, one of the strengths of the Swiss system is the permeability of pathways, which enables students to shift between vocational and academic systems,²² in contrast to the German model. Students who perform well in vocational learning commonly enrol in universities of applied sciences following the completion of their apprenticeships, enabling them to specialise further and progress to managerial levels in the workplace.²³ The vocational system is regarded as a high quality, rigorous pathway that is as, or more, prestigious than an academic pathway.

“Hong Kong has adopted a new approach to senior secondary schooling that puts lifelong learning as the central objective of schooling and seeks to shift away from a strictly academic focus.”

Hong Kong has adopted a new approach to senior secondary schooling that puts lifelong learning as the central objective of schooling and seeks to shift away from a strictly academic focus.²⁴ All learners are exposed to a core general curriculum and this is integrated with the option of undertaking applied learning subjects within the mainstream senior secondary curriculum. Following re-integration with China, Hong Kong dropped the British educational model and introduced the New Senior Secondary curriculum into Hong Kong secondary schools from 2009–10 after being iteratively trialled since 2003.²⁵

The reforms reduce the core curriculum to four subjects – English, Maths, Chinese and Liberal Studies – and give students the choice of two or three elective subjects. These may include applied learning subjects and all students receive compulsory career education. The aim of applied learning is to enable students to combine applied and academic skills, for example physics and aviation, while building broad capabilities and an awareness of the related industries. In Australia vocational subjects are taken in a particular occupation rather than providing broad exposure to an industry, and there is little integration in learning between the academic and vocational pathways.

Vocational curriculum

In the Australian VET system, the vocational curriculum is framed in terms of the skills or competencies required in a particular occupation. Training is underpinned by a competency-based training (CBT) framework that specifies what a person must be able to do as a result of training, generally on a narrow occupationally-focused basis (e.g. monitoring and maintaining automotive equipment). The content of VETiS courses are identical to those delivered in the national training system and VETiS students do all, or part of, nationally recognised VET qualifications. Within the broader VET sector, the question of whether CBT is the optimal framework has been the subject of debate for over 20 years. One side of this debate advocates that competency standards enable closer alignment with industry needs, national consistency, and flexibility in delivery and assessment,

while others would argue that the interpretation of competency in the CBT framework is over-simplified and downplays the importance of context and broader skills and attributes.²⁶ A recent report by the National Centre for Vocational Education Research (NCVER) again raises the issue with a focus on how the VET system can cultivate transferable skills to aid job mobility, and contends that training packages should be aligned to broader occupational clusters to enhance mobility.²⁷

In a multi-year NCVER project into VETiS, Clarke^{28,29} identified a number of issues. One such issue is that by focusing narrowly on skills acquisition for a particular occupation or trade, VETiS students miss out on the opportunity to develop the broader capabilities needed throughout life. Clarke³⁰ notes that some VETiS stakeholders find that the narrow focus on job-specific skills fails to address the “broader educational development needed to support ongoing training and career growth”.

In its redesign of the senior secondary curriculum, the Education Commission in Hong Kong made way for a purpose-built new senior secondary curriculum in which applied learning is integrated with the core academic curriculum, elective subjects and extracurricular development. The design principle behind the applied learning component of the curriculum is to enable young people to gain an appreciation of broad industry areas, rather than training for specific occupations, and to build generic skills by applying them in a vocational context.

The Hong Kong experience provides an example of an approach to applied learning at the senior secondary level developed with the explicit intention to enhance industry understanding and capability of senior secondary students. Hong Kong’s applied learning programs include a focus on:

- Foundation skills: communication, numeracy, information technology;
- Thinking skills: problem-solving, creative thinking;
- People skills: self-reflection, collaboration, team-building;
- Values and attitudes: honesty, responsibility, respect for others; and
- Career related competencies: competencies developed in a vocational learning context.

Courses may be delivered by tertiary providers, who may also offer articulation pathways on completion of courses.

In contrast to Australia, applied learning in Hong Kong is graded, with students receiving an attained or attained with distinction mark. This was designed to ensure a high level of rigour in the system. This in turn would ensure applied learning could be designed and viewed as equally challenging and of equivalent status to academic learning.

In Switzerland the development of foundational skills such as reading, writing and maths are effectively embedded in technical and occupational skill development. Vocational learning in Switzerland reaches beyond the acquisition of knowledge

“In Switzerland the development of foundational skills such as reading, writing and maths are effectively embedded in technical and occupational skill development.”

and skills to provide a deeper learning experience for students, as Hoffman³¹ notes, “the VET curriculum gives priority to the teaching of metacognition, providing students with regular opportunities to discuss what they are learning and why they are learning it”.

Swiss adolescents have been noted to have well developed important social competences such as “compassion, acceptance of responsibility and willingness to achieve” and this is linked to the “extracurricular spaces of learning and experiences”.³²

Vocational pedagogies

Equally as important as what students are learning is how they are learning vocational capabilities. One of the key benefits of vocational learning, as opposed to traditional academic learning, is the opportunity for students to apply their knowledge and skills in situations with real-world relevance. Hoffman³³ notes how the workplace can provide adolescents with valuable deeper learning experiences:

“It immerses and engages young people in developmentally appropriate, real-world tasks that challenge them not only to learn advanced subject matter but also to regulate their own behaviour; persist at and complete difficult assignments; work in teams; solve the kinds of unexpected, everyday problems that occur in workplaces; and communicate effectively with colleagues of differing ages and backgrounds.”

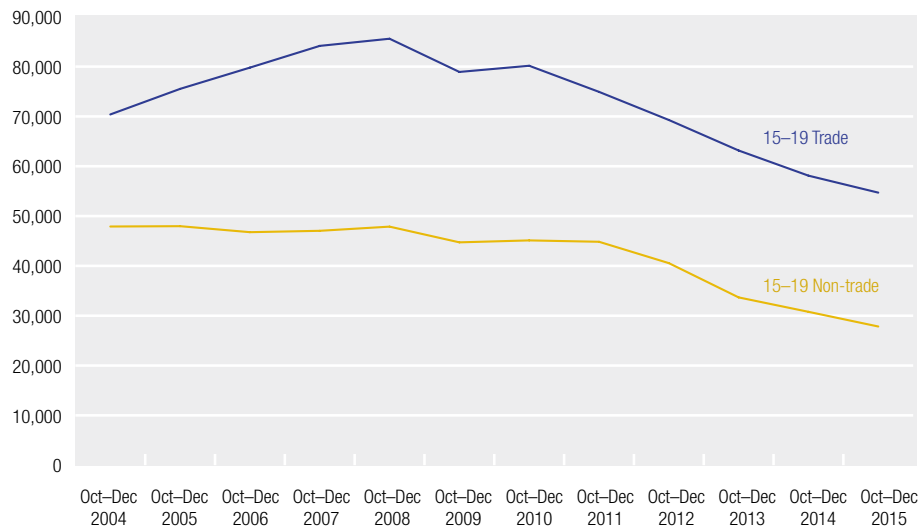
The opportunity to apply skills and knowledge in a variety of work-place settings provides a deeper learning experience but also improves access to a labour market where experience in work is often a pre-requisite for many jobs (simply having a qualification is not sufficient). The way in which different countries approach vocational teaching and learning varies largely in the extent to which the workplace is used as an effective learning environment.

“The opportunity to apply skills and knowledge in a variety of work-place settings provides a deeper learning experience but also improves access to a labour market where experience in work is often a pre-requisite for many jobs (simply having a qualification is not sufficient).”

Work-based learning can encompass a range of activities including apprenticeships, traineeships, work placements, internships and part-time jobs. Australia has a long and successful history of educating young people through apprenticeships, traditionally in the trades, and more recently in the services sector and technician and para-professional occupations through shorter traineeships.³⁴

Apprentices benefit from clearer transition pathways and stronger links with employers when the apprenticeship generally lasts for three to four years and the student spends at least 60 per cent of their week learning on the job and the remaining time in vocational education and training.³⁴ School-based apprenticeships and traineeships are a distinct pathway within VETiS, which allows secondary students to participate in paid work and on-the-job training with an employer as an apprentice or trainee, and structured off-the-job vocational training delivered by a Registered Training Organisation (RTO), as well as secondary school studies.

FIGURE 2
AUSTRALIAN APPRENTICESHIP AND TRAINEESHIP IN TRAINING 15 TO 19 YEAR OLDS



Source: NCVET 2015 Apprenticeship and Traineeship Collection.

However, apprenticeship and traineeship enrolment patterns for 15 to 19 year olds in Australia have been in decline for a number of years, as shown in Figure 2. As the graph shows, apprenticeships in the traditional trade areas have decreased, and the shorter length traineeships model (non-trade) has not developed for the high-skill occupations. The current education system is not making the most of these on-the-job training options to prepare young people for work in the high-skill areas where innovation and creativity are most needed.

In contrast, Switzerland is renowned for its highly developed apprenticeship system. It has been successful in adapting the apprenticeship model to train a highly skilled workforce in almost every sector of the economy.³⁵ An example of the apprenticeship model in action is the Centre for Young Professionals (CYP) founded in 2003 by five major banks (Julius Baer, Credit Suisse, UBS, Raiffeisen Switzerland and Surcher Kantonbank) and funded by the Association of the Swiss Banking Industry.³⁶ Upper secondary students aged 16 to 19 attend short courses throughout their apprenticeships where they are oriented to banking industry practices such as “business process thinking”.³⁷ These students also attend regular school where they study languages, math, specialised theory, and history while also working at a bank one to two days per week where they learn by doing, and test theory in practice.³⁸

A major factor contributing to the success of the apprenticeship system in Switzerland is the support from industry. Roughly one third of employers take on apprentices in an economy where 99.7 per cent of employers are small to medium enterprises (SMEs) and this number remained relatively stable throughout the global financial crisis.³⁹ In 2006, at the upper secondary level, about 45 per cent of VET costs were privately funded.⁴⁰ Apprentices are paid a salary, which is under the Swiss minimum wage, and there is a net benefit for employers derived from the productive output of apprentices.⁴¹ It is underpinned by an effective public/private partnership in which companies pay for apprentices and the government pays for the apprentices’ schooling.⁴²

To complete an apprenticeship, apprentices must sit a final exam. While the Swiss government does not publish the rate of premature apprenticeship contract terminations, Mueller and Schweri⁴³ found that from a longitudinal Swiss transition from education into employment (TREE) sample, apprenticeship attrition rates were relatively low, at approximately 6.5 per cent per year. This contrasts to Australia where approximately half of all apprenticeship contracts are not completed.⁴⁴

Hong Kong has attempted to build in work-based experiences as part of the country's vocational learning model, with mixed success. Schools have been challenged to engage with employers and resource site visits. In some applied learning areas, simulated workplace environments have been used as an alternative to workplaces.

Policy implications for Australia

It is important that context is taken into account when examining models from other countries. Hong Kong had the opportunity to introduce a brand new curriculum, rather than modify the existing one. Switzerland has a history of high calibre vocational learning long-supported by its civic institutions. Nonetheless, there is much that can be learnt from analysing these models.

In Australia, too often the approach to preparing students for the new challenges of life and work in the 21st Century, is to add on additional learning options to the curriculum, which results in a complex senior secondary landscape for adolescents to navigate. A new approach may be to reduce the amount of core content knowledge we require senior secondary students to gain proficiency in, in order to create more space for a deeper learning experience. This would mean diversifying the learning activities and making more time for students to develop essential capabilities such as resilience, critical and creative problem solving, confidence, self-belief and teamwork in a vocational context.

Increasing attention is being paid to the notion of craftsmanship, which suggests having an aspiration for excellence and pride in a job well done.⁴⁵ Attaining a level of mastery is an aspiration which should apply to all learners and in all domains of learning, be it academically-oriented or practical. To foster a sense of craftsmanship and to maximise the potential of all learners, we need to be able to measure growth and progression in learning. While a grading of satisfactory or not completed captures the degree of technical competence a student has gained, as is the case for VETiS, we need to begin to consider a broader range of measures which assess learners' achievements and capabilities. In this way, tracking the progression of students from novice to master sets an expectation that students

“In Australia, too often the approach to preparing students for the new challenges of life and work in the 21st Century, is to add on additional learning options to the curriculum, which results in a complex senior secondary landscape for adolescents to navigate.”

in vocational learning should be constantly striving, and sets a higher benchmark to aspire to.

Employer involvement is critical to the delivery of high quality vocational learning but there are a range of structural barriers to collaboration between schools and industry in Australia. For instance, currently, business professionals find it difficult to lead workplace learning units without a teaching degree and there are barriers to a trade-qualified person teaching VETiS. Further consideration of the types of conditions that enable employers to engage with school education is essential. The apprenticeship model may provide a way forward by linking education through an employment contract. Australia could consider re-thinking the apprenticeship model and expanding its application to new and emerging industries, as in Switzerland, where apprentices are trained in most sectors.

Conclusion

Australia needs a new approach to education to maximise the potential in all young people and to improve the flow of highly capable learners to the workforce. Too many students are disengaging from education, and many students miss the opportunity to build the foundations for lifelong learning, and the knowledge, skills and capabilities that will set them up for life. By examining our approach to vocational learning in schools and looking internationally for some innovative ideas, this chapter has proposed a possible way forward for secondary schooling in Australia. Challenging the current approach to vocational learning to be more aspirational, re-focusing the curriculum on the capabilities that count, and exploring more engaging models of workplace learning are worth further consideration by government and policy-makers.

Endnotes

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5. The role of industry in VET

Martin Riordan

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This chapter looks at the mismatch between the skills of VET graduates and those required by industry, and whether giving industry a more meaningful role would enable industry and providers to be committed to ongoing engagement.

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Martin Riordan was recruited as CEO of TAFE Directors Australia (TDA) in 2006, and reports to a national board, with a national secretariat based in Sydney.

He began his career as a political journalist in the parliamentary press galleries of Canberra and Sydney, and worked as an editorial executive with News Limited. He later worked over several years in the Office of the Hon. John Howard during his term as Leader of the Opposition. In the late 1980s Mr Riordan moved to work in Australian ASX companies, managing regulation and corporate affairs. This included executive appointments with Pioneer Concrete, Coca-Cola Amatil, and the demerger to WD & HO Wills Holdings Limited and its UK parent BAT Industries, which took Mr Riordan to an extended posting in Singapore. It was during these years that his involvement with industry training took hold and he continued this career interest operating a benchmark research consultancy in Singapore. He relocated to Australia in 2002, and was recruited by the Federal Department of Education, Science and Training. He transferred to lead TDA from 2006.

Mr Riordan was awarded an Australian American Fulbright Professional Scholarship in 2010 to research new financial structures and to review the four-year degree mode of American Community Colleges across 18 US states. He is enrolled in a PhD at the LH Martin Institute of Tertiary Education Leadership and Management, University of Melbourne. In 2014, he was a recipient of an Endeavour Prime Minister's Asia Postgraduate Scholarship, and completed the scholarship in Shanghai in 2015 on reviewing new models in higher education.

Mr Riordan studied at Macquarie University for his BA (Hons) undergraduate qualifications, and completed an MBA at University of Technology Sydney.

Introduction

Across the major Australian industry peak bodies there is broad agreement that vocational education and training (VET) is fundamental to productivity and workforce participation.

Yet this focus on the end result of VET qualifications masks the significant debate within the sector – ranging from employers accessing the system (or not), regulation (costs), reputation (decline), funding (decline) and how investment in skills (mismatch) might better support Australian industry.

For national media and government, these issues prompt more fundamental questions. Is lifting Australian productivity more reliant on better workforce skills than expected? And why do skill shortages always seem to grow? It also raises broader questions about the ever-increasing demand for foreign short-term 457 visa employment and the inherent and persistent challenges Australia faces in securing a more literate and skilled workforce.

During the past decade employers have shied away increasingly from the training system. National Centre for Vocational Education Research (NCVER) data shows industry largely uses VET for its own workplace training, and that government funded enrolments as a proportion of total VET courses remains steady. Some peak industry lobby groups have complained about training package curriculum. Research confirms that the narrow qualifications delivered are rarely directly used in most graduates' jobs. Complaints also include that the complexities in structure, along with the overlay of national regulation, make the formal VET training system too difficult to navigate. Perhaps worse are employer concerns about a mismatch between the skills of VET graduates and those required by industry. This raises the question: What role should industry and the VET sector be invited to play in addressing these mismatches? And can this role be embedded in the national VET system?

What is the skills and industry dilemma?

The Australian Chamber of Commerce and Industry recently commented that, while Australia's VET system still needs improvement, the sector is rather remarkable. It has successfully transformed many lives and the nation's workforce by ensuring that graduates move to employment that is often quite well-paid.¹ The Chamber's Director of Employment, Education and Training, Jenny Lambert, boasted in a media statement:²

“With 74 per cent of graduates employed after training and earning on average \$56,900 per year, the VET sector is helping many learners get the skills they need to find jobs and ensuring that employers have access to a pool of skilled workers to help them grow in productivity and profitability... With more than 41 per cent of those who weren't employed before training now in work, the VET providers are providing the skills needed to help many Australians make that first step into employment.”

This statistical success sits in stark contrast to frequent reports from various industry representatives that the VET system is failing to respond adequately to Australia's productivity and employability skill needs.³ There has been much criticism of the source of learning, the inflexibility and cost of the public TAFE sector and the merits of training packages. The criticism has been accompanied by significant media exposure of fraudulent and scandalous behaviour by some private training providers, which has diminished the reputation of VET both nationally and internationally.

VET providers complain that training packages have become too narrow to accommodate the vast and fast technologically driven changes in the economy, and the employability skills that employers seek are frequently lacking in graduate students. The Australian Industry Group (AiG), for example, has invested heavily in researching employability skills. The findings have focused on poor literacy and numeracy skills in secondary school students and the prevalence of these poor skills well beyond secondary education – spanning into VET and into the workplace; revealing that less than half of Australians of working age have achieved some form of post-school qualification.⁴

All the industry peak bodies during 2013–14 recommended that Canberra should initiate discussion with the Council of Australian Governments (COAG) on a much wider overhaul of VET provider arrangements in terms of governance. Since the Whitlam Government in the early 1970s, the Commonwealth has had direct control of university and higher educational funding, while the states and territories control the funding and governing of VET. Ministerial discussions were initiated on this topic (such as the 2015 Training Ministerial Meeting in Hobart), and Senator Simon Birmingham, as the then Minister for Vocational Education and Skills, ventured his strong support for greater direct responsibility by Canberra for VET, in order to create a more integrated tertiary education system. However, following discussions in Hobart last year by states and territories, momentum for any federalism policy change for VET responsibility stalled. However, the issue was briefly given added life when it was referred to the Department of Prime Minister and Cabinet, as part of a federalism project led by an education committee chaired by Business Council of Australia CEO Jennifer Westacott.

“VET providers complain that training packages have become too narrow to accommodate the vast and fast technologically driven changes in the economy, and the employability skills that employers seek are frequently lacking in graduate students.”

The latest policy inaction on VET could be labelled as policy table tennis; as Canberra and the states and territories debate VET policy, events show there are increasingly fewer reasons for employers to gain confidence in the troubled sector.

Mitchell Institute Senior Honorary Fellow Professor, Peter Noonan has written extensively on funding being a dominant factor in a crisis of confidence in VET.

Professor Noonan has tracked the funding decline across virtually all levels of Commonwealth, state and territory jurisdictions over more than a decade. While some states – more recently Victoria – restored levels of funding (mainly to TAFEs) the Mitchell Institute demonstrated *how* it has been the combination of complexities or failures in governance that had direct correlations to funding declines, and further, *why* this has contributed to weakened industry confidence in VET.

In contrast to university restructuring funded under Commonwealth structural adjustment grants, structural changes imposed on the TAFE sector have largely been swept up in ad hoc funding cuts or rationalisations of TAFE colleges and institutes into single statutory authority governance structures. Legacy issues, such as industrial relations, have been left to individual jurisdictions. This piecemeal approach to restructuring in VET has overwhelmingly focused further attention on the plight of TAFE as a public provider network trying to juggle the flexibility required under an open competitive funding model, while concurrently repositioning TAFE's role from older governance structures under different funding regimes. All the while legislative obligations have remained unchanged in regards to providing a community service and equity support for at-risk students.

How could this have happened?

Australia's higher education federal policy has enjoyed several concentrated federal reviews to map policy and funding. In more recent years, the Bradley Review of Higher Education contained a roadmap for significant expansion in community access to university undergraduate courses. Professor Denise Bradley and her panel made recommendations, including the panel's now famous support for extending Commonwealth supported place (CSP) funding to allow for uncapped places at universities. In tandem with a later review of higher education funding under Lomax-Smith,⁵ both inquiries generated policy momentum that harnessed Commonwealth funding at an unprecedented scale.

Yet for vocational education, the Commonwealth under former Labor Prime Minister Julia Gillard proceeded with very little evidence or mapping of how to sustainably and successfully expand the sector with industry. Instead, the former Labor Government adopted a Victorian training guarantee policy open to all adults, under what was termed a national entitlement to training. This entitlement was to lead a new frontier in open-market policy in VET, and Prime Minister Gillard bravely placed before COAG a \$1.7 billion offer to jurisdictions to fund a full national rollout of training entitlements in VET. This historic decision somewhat carelessly included an open-ended quid pro quo financial offer by the Commonwealth. The Commonwealth proceeded with the National Partnership Agreement on Skills and Workforce Development with few regulatory safeguards and, amazingly, allowed loans to cover all public and private diploma courses without capping fees.

Systemic failure or structural problems?

History has written the unpalatable script that resulted under Labor's entitlement plan.

Within three years of open market funding to 2015–16, and unprecedented access by new private college players to VET FEE-HELP loans, an estimated one-third of this new Commonwealth loan system funding totalling more than \$3 billion was wasted.⁶ However, the real outcome has been further depletion of the skills supply for industry.

At a national level, productivity has languished. As the Coalition and Labor faced the 2016 federal election, neither party offered a coherent policy solution to this crisis. Labor pledged to launch a national VET inquiry, while the Coalition offered an inquiry into VET FEE-HELP loans. Where is industry in this skills crisis?

One case illustrated this wider issue: The Western Sydney Business Connection joined with TAFE NSW Western Sydney to commission an audit on skills shortages in 2015, called *The Greater Western Sydney Skills Barometer*. The outer Sydney metropolitan audit found that seven out of 10 businesses complained that they were without the qualified workers they need despite the Commonwealth ever-increasing funding to largely private colleges offering a vast range of VET courses.

However, while the number of jobs in the region is expected to grow due to major infrastructure projects, the skills needed to service these projects are in short supply. The audit results showed more than 66,000 jobs advertised in the middle of this year were not filled, with employers laying the blame on skills shortages. The job categories in shortest supply were management positions, making up just under a third of unfilled job vacancies, and a growing shortage in technical skills and in qualified hospitality workers.

“However, while the number of jobs in the region is expected to grow due to major infrastructure projects, the skills needed to service these projects are in short supply.”

These struggles by industry to gain adequate outcomes from the VET sector is surely too important an issue to ignore. At an academic level, Australian scholars in tertiary education have reviewed many of these difficulties, and invariably these researchers have provided evidence of wider issues. For instance, Wheelahan⁷ and Moodie et al.⁸ begin by pointing to the different purposes of VET qualifications for different industry disciplines. This brings complexity to the simple question of what role industry may play in ensuring VET meets skill needs.

Wheelahan and Moodie highlight the fact that there is no one-size-fits-all approach, and that industry will be engaged differently according to the type and purpose of the qualification. The division they identify is along two continua: relationship of the qualification to occupations, and relationship of the qualification to further study. Employers in the different industries view the qualifications either as certification of knowledge and skills, for example in the trades, or as a way of screening applicants, such as in business and information and communications technologies (ICT).

Zoellner⁹ discusses the fact that apprentices in Australia tend not to be seen as part of an employer's productivity regime, but instead are seen as a necessary burden on industry function. This makes traditional Australian apprenticeships less enticing for employers, as they are unlikely to see the return on investment (ROI) of taking on apprentices for their business in the short-term and the wider economy in the long-term. It speaks to the need to create viable incentives for employers to participate meaningfully, and eventually invest, in the apprenticeship and broader VET system.

Strong employer commitment and engagement in VET is one of the hallmarks of the various Northern European VET systems. Clarke and Winch¹⁰ discuss how differently skills are viewed in Anglo-Saxon versus Northern European contexts. The differences are reflected in how skills are utilised differently in different labour markets, as well as in the different expectations of graduates to perform – in northern Europe – a broader variety of roles in the workplace. There are continuing calls from academics studying Australia's VET system for changes to training products that are able to reflect a broader concept of skill; one that would prepare graduates not just for jobs but for careers, with the ability to perform a multitude of roles in a variety of industries. This is particularly important in disciplines where there is little oversight, and where graduates' scope of practice is not clearly articulated by regulatory bodies.

Historically in Australia, the 1990s inclusion of VET under national micro-economic policy prompted the decision to apply competition policy to VET curriculum. Canberra established the coordination agency, the Australian National Training Authority (ANTA), and cast successive Commonwealth funding agreements with states and territories as steps towards VET reform. This steered special approaches to competitive funding in certain VET market segments and added the concept of training packages – effectively the free-to-air equivalent for the VET market.

TAFE's pre-eminent position in VET and its extensive network of campus locations across metropolitan, suburban, regional and remote Australia became pivotal to post-war productivity and skills growth – yet in more recent years TAFE has been significantly compromised.

Fast-forward to the COAG approval of the entitlement VET funding system from July 2013. The policy caused far-reaching imbalance in the system that stretched well beyond the original intention of adding competitive pressure to providers. Many highly publicised scandals of costly and inadequate regulation have been documented; a National Audit Office is reviewing the federal departments in VET policy (loans) design, while NCVER has evidenced worsening skill shortages. ABS statistics shows more employers continue to turn to skilled migrant workers than investing in VET activity – all raising fundamental questions that go not only to the systemic problems facing the VET system. At a broader level, the questions must go to the structure and sustainability of the Australian tertiary and skills policy.

“ABS statistics shows more employers continue to turn to skilled migrant workers than investing in VET activity – all raising fundamental questions that go not only to the systemic problems facing the VET system.”

Assessment is key for industry

The gazettal by all states and territories of new VET Standards from mid-2015 was originally designed by governments to be a game changer. The context was important; this was a government response to wide-level media reports exposing fraudulent conduct by numerous private colleges under VET FEE-HELP loans, alongside demands by industry for more accountable VET provider quality and assessment standards. NCVET research also revealed falling investment levels by industry in VET, and governments responded with the new VET Standards.

The new VET Standards specify more industry-led provisions for assessment and validation of qualifications. Yet states such as Victoria have remained dissatisfied, and have opted to investigate further approaches, including how its state funding of VET qualifications may additionally be reliant on more detailed criteria, for instance, the teaching and learning components to delivery of course content, setting periods of study or enrolment – all proposed by Victoria as improved accountability to achieve better benchmarks for industry and employability skills.

However, an additional issue not settled by the new VET Standards was evidenced by Victoria's Mackenzie Inquiry into TAFE, which detailed a lack of confidence in many RTO providers registered and receiving government funding in the market. The Mackenzie review¹¹ found these inadequacies – mainly at the expense of Victorian TAFEs – had seriously impacted employability capabilities and capacities in the VET system.

The pressure on apprenticeship numbers in Australia has been further evidenced by a decline in employers taking on new or mid-term apprentices in Australia. A key source of complaint was the policies adopted by the former Labor Government, and again more recently by the Coalition Government, to remove employer-based incentive funding for apprenticeships and traineeships, which resulted in a fall in employer funding by between \$1 billion to \$2.5 billion, drastically affecting the sector over the past five years.

NCVER data subsequently directly tracked the double-digit declines in apprenticeship enrolment and completion numbers during these same four years, and a failure to overcome the skills shortfalls as a result. Skill shortages are worsening. For instance, irrespective of attempts at enticing apprentices locally, or even international promotions inviting migrants to enter Australia under the Australian Skills Occupational List (SOL), industry has been forced to largely rely on skilled migration under 457 visa contracts to meet immediate skilled-project demands. Yet as recorded by the Western Sydney skills audit and other indicators, skilled migration may provide temporary relief to businesses, but does not address much wider Australian community skilled shortages. Hence, the ever-increasing challenge for households to secure builders, electricians and plumbers for general services.

“A key source of complaint was the policies adopted by the former Labor Government, and again more recently by the Coalition Government, to remove employer-based incentive funding for apprenticeships and traineeships.”

Managing the quality of the current system under the new VET Standards, in 2016 TDA initiated a new approach to better support the task of validating assessment practices. TDA seeks to nurture more effective models for TAFE nationally, to ensure quality and address the intent of the VET Standards. However, for assessments to be of value to industry they must be able to respond to a multitude of different needs. By using Wheelahan and Moodie's classification of qualifications, it will be more straightforward to identify various strategies for involving industry at different levels and for different purposes.

TDA has identified that through a three-year national quality assessment initiative, it may successfully mentor changes to assessment standards. TDA is beginning with a series of pilot reviews in high delivery qualifications or fields of education that attract public funding. This initiative will trial mechanisms to engage industry more meaningfully in the articulation of competencies and in the validation of assessments to ensure competencies are met. This approach is likely to address some of the issues raised above in several ways. For example:

- The different types and purpose of qualifications raised by Wheelahan¹² and Moodie et al.¹³ The initiative will ensure that the graduate capabilities attained through VET qualifications are appropriate and meaningful for the industry discipline; and
- By giving industry a more meaningful role in this process, it is expected that it will be more committed to ongoing engagement and will form partnerships with individual providers.

There will be the continued challenge of ensuring the appropriateness of qualifications to a range of employers, both large and small. One possible way of addressing this challenge is through an engagement strategy that reaches all stakeholders including employers, VET practitioners, students and graduates. Ultimately this approach can build industry and community confidence in the national VET system – at least as delivered by TAFEs – on the one hand, and on the other, ensure that local employers have access to the skills and capabilities they need.

For VET qualifications such as ICT, the initiative will support TAFE institutes to respond to changing technologies and a constantly changing labour market. It shifts the discussion from skills to the broader notion of capabilities and knowledge that underpin work in the 21st century.¹⁴ In qualifications such as early childcare education, it will validate the fitness of purpose of the qualifications, and ensure the quality of teaching, learning and assessment practices. For the highest volume of courses like training and assessment, it will assume that there is an agreement on the qualifications' fitness of purpose, as determined by the regulator and the sector, and seek to validate assessments to assure they are fit for purpose.

This all presumes a far greater and genuine outreach by providers and industry. Importantly, those market segments or fields of education¹⁵ that will be the centre of assessment review will focus on those that dominate skill shortages and/or aligned with VET segments funded by states and territories.

Innovation and applied research

Another method of engaging industry in VET is through applied research partnerships that assist local businesses to innovate. Using its state-wide capabilities, TAFE is steadily reaching out to offer its VET students new ways to try applied research. This is encouraging students to create projects and investigate local problems directly in business processes, products, technologies and capabilities and works with employers and students to solve them. This is an emerging capability, and profiled recently at an Applied Research and Innovation Roundtable held jointly by TDA with LH Martin Institute, University of Melbourne. Partnerships between Santos and SkillsTech in Queensland, Holmesglen and Healthscope in Victoria and Canberra Institute of Technology and the Federal Police in Canberra resulted in optimised production systems, new products, improved productivity and, most importantly, developed new research and innovation skill in graduates. The Textile and Fashion Hub, a collaborative initiative between the Textile Fashion Industries of Australia (TFIA) and Bendigo Kangan TAFE in Melbourne, is a good example of how TAFE works with local businesses to stimulate innovation by providing research and development (R&D) facilities and expertise.

TAFE's capacity to develop the skills and innovative capability of existing workers and new entrants to the workforce was also mapped in other parts of Australia. TasTAFE for example partners with industry to deliver short courses for business in digital marketing and entrepreneurship to support new start-ups. This is important to the innovation and productivity argument. Research indicated that the level and quality of VET skills determines the type of new goods and services produced and the ways they are produced.¹⁶ In some OECD countries, tradespersons and non-university trained technicians constitute a large share of the R&D workforce.

“Using its state-wide capabilities, TAFE is steadily reaching out to offer its VET students new ways to try applied research.”

Strengthening this capability in TAFE may create evidence of a more effective model that is far more industry-led, and allows stronger engagement between students and industry. This model has been much practiced in Canada where the public community colleges sector has extensive integration into the national innovation cycle, using applied research partnerships with local enterprises.

Providers operating in an open market VET system

Two key issues arise in this context: system growth, and impact of complex and increased regulation.

VET has grown. A positive result of the COAG NPA on Skills and Workforce Development has been agreement that national labour market agency, NCVER, would collect wider data on all VET training – whether delivered by public TAFEs or private colleges, and both publically funded and non-funded qualifications. Total VET activity data¹⁷ demonstrated that the Australian VET system has radically expanded, largely due to many industries requiring workplace certification. This trend spans courses from first aid and basic certificate level skills for early childhood workers, responsible service of alcohol for the hospitality industry, road traffic controller certification and fitness training, to a vast expansion of higher level skills extending to nursing, paraprofessional qualifications in allied health and technology industries, food technologies, pilot and aircraft training and marine services.

The NCVER data shows a quadrupling in the size of VET over 10–15 years that mirrors Australia's industrial transformation from a narrow government-supported manufacturing and rural industry economy, to a nation encouraging innovation and quality service skills to service Australia's growth in an Asia-Pacific economy. However, as the system has expanded, so have criticisms from industry; more industry has moved away from its previous heavy reliance on VET and its qualifications.¹⁸

This criticism goes well beyond some public industry complaints about TAFE inflexibility. We know that the decades of Australian VET reform has now delivered a largely open funding market in VET in Australian public policy. However, it is important to recognise that states and territories' VET funding, in which the Commonwealth contribute up to one-third, in fact reaches to only about a quarter of VET qualifications or enrolments. The federal government's direct role in VET is limited to program skills funding, such as the apprenticeship employer programs (which have now declined), and some more recent budget employer incentives for youth internships into industry. The largest component of Commonwealth involvement in VET is the legacy of Labor's National Partnership Agreement (NPA) on skills – which legislated for VET FEE-HELP loans, now totalling more than \$3 billion per annum. However, as described, the loans were not aligned to state or territory skills funding priorities, and this itself has been a source of industry and TAFE criticism on duplication and wasted effort on skills policy.

“The NCVER data shows a quadrupling in the size of VET over 10–15 years that mirrors Australia's industrial transformation from a narrow government-supported manufacturing and rural industry economy, to a nation encouraging innovation and quality service skills to service Australia's growth in an Asia-Pacific economy.”

Interestingly, as these changes have played out in recent years, the once-pivotal role of TAFE institutes continues to change. NCVER analysis confirms that despite intense competition, TAFE institutes more generally have carved a central function for and with larger and small and medium-sized enterprises (SME). A TDA-commissioned analysis by NCVER in 2016 showed TAFE had successfully retained a market share of 63 per cent across the fields of education in which states and territories allocate public funding; this is often found in areas that require high infrastructure such as apprenticeship qualifications. Industry and consumer surveys show a continued high trust in TAFE delivery and employability skills.¹⁹

So while the VET system has grown – open market VET funding has been installed in all states and territories, and the new VET Standards seek to drive quality – two key segments or pillars of the sector remain unchanged that seriously affect industry: content of courses under training packages and employability skills.

The nature of Australia’s complex federal and state and territory governance of VET has to-date not successfully challenged the complaints by industry on narrow training packages.

Several industry sector organisations such as the Housing Industry Association have frequently expressed frustration at policy, which overwhelmingly restricts VET funding to full qualifications rather than skill modules or skill sets. For instance, often in a modern new housing estate, builders may require specialist trades like roofers or plasterers rather than a host of extra builders. Relaxing of current rigid practice in government funded VET places may significantly lessen cost pressures on providers, and create more flexibility. However, to-date trade unions and many states and territories have resisted such reform.

“The nature of Australia’s complex federal and state and territory governance of VET has to-date not successfully challenged the complaints by industry on narrow training packages.”

At a wider level, employability skills are a key issue that goes directly to industry confidence in VET, and is key to lifting Australian productivity and more coherent progress in micro-economic reform.

At an operational level, TAFEs would argue that the complexities of the architecture in VET, including over-regulation and governance in VET, have become overwhelming and structural reforms are needed. For instance, TDA argues that the Commonwealth should direct the national regulator, the Australian Skills Quality Authority (ASQA), towards greater risk-based regulation or self-governance. This reform could more effectively balance outcomes for, and costs to oversee, the more than 5000 registered training organisations (RTOs) operating in VET. Risk-based regulation should not only bring clarity on audit outcomes under ASQA, but better enforce transparency for industry on quality low-risk providers – public TAFEs and specialist private colleges.

To-date this approach of regulation in the tertiary sector has been quarantined to the university and higher education sector, with its regulator, the Tertiary Education Quality and Standards Agency (TEQSA), operating threshold standards. The threshold standards have been important to not merely define the types of courses and rules applying to those universities and higher education institutions operating under its registration as a higher education provider, but TEQSA additionally enforced a protocol of accrediting and self-accrediting higher education provider (HEP) institutions. These are two vital components of the higher education end of tertiary education, but they are not extended to VET under ASQA. Instead, despite referral powers that allow ASQA to offer delegations to RTO providers for scope on new or changed courses to be delivered or advertised for students, the delegation of self-accreditation has yet to be offered to any RTOs in Australia.

This raises questions about serious regulatory difference between ASQA and TEQSA. Moreover, why there appears to be a reluctance to reverse unrestricted RTO registrations allowed under current legislation. These inefficiencies are illustrative of the governance complexities – and cost overlays – that have driven so much industry to disregard VET in critical areas such as apprenticeship training.

Summary

The Australian VET sector is large and as Australia's population grows and industry needs to expand, there will be increased pressure on VET's expansion. At stake are questions on the quality of providers and the employability of students with VET qualifications.

Australia has enjoyed much success in international education, with this service industry reaching \$19 billion a year in export earnings by 2015. VET as a component of international education has reached almost half of that figure. Former Trade Minister the Hon. Andrew Robb AO identified that the international education sector could double this capacity if innovation was able to support the VET sector and its promotions, and reach into fast-expanding Asian neighbouring economies.

The industry peak bodies have contributed significantly to encourage greater government support and financial contributions to VET, along with policy ideas including governance reform such as federal powers to directly manage and fund VET and TAFE providers.

For providers – public TAFE and private colleges – while new funding rules and systems remain complex and new standards have been applied, industry has been left outside of how these changes may bring about the stepped improvement identified in quality for the sector. Government intervention in VET is ever increasing on industry and providers, even though ironically it has been the Commonwealth's own performance that has been under scrutiny. We have witnessed this in the Commonwealth's role in the recent VET FEE-HELP loan

crisis, which may bring greater scrutiny on the regulatory outcomes. Surely this policy failure has illustrated the outstanding issues of current governance of the Australian VET sector.

The mission to achieve more holistic VET reform would be better placed in encouraging governments to limit their attention to better designed regulation.

TDA would seek changes like greater risk regulation under ASQA, guided by benchmark standards such as those that apply to higher education, to deliver more transparency on quality providers. Importantly, these standards should replace much of the current VET system administrative architecture. As the market intensifies for course content and encourages workplace delivery, online options, and funding for individual skill sets, balance in regulation would allow more flexibility for TAFEs to compete with enterprise and private colleges.

These changes may not only restore the required confidence for better industry engagement that will result in students achieving greater employability skills, but also bring a more coherent level-playing field for the Australian tertiary education marketplace.

Endnotes

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- 15 National Centre for Vocational Education and Research (NCVER), 2016 *Trends in public and private VET provision: Participation, finances and outcomes*. (Consultancy Report) Prepared by NCVET on behalf of TAFE Directors Australia.
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6. VET: finance and quality

Professor Gerald Burke

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This chapter assesses the effects of changes to the vocational education and training (VET) funding system on the quantity and quality of training. Solutions to fraudulent behaviour are also discussed.

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From 2008–13 **Professor Gerald Burke** was a board member of Skills Australia and the Australian Workforce and Productivity Agency that advised the Commonwealth on skills and workforce development. Up until 2008 he was director of the Monash University Australian Council for Educational Research (ACER) Centre for the Economics of Education and Training and currently has honorary appointments at Monash and the LH Martin Institute at the University of Melbourne. A recent publication of Professor Burke's is *Finance, Quality and Participation in Postsecondary Education in Education in Australia, New Zealand and the Pacific*, edited by M Crossley, G Hancock and T Sprague, Bloomsbury, 2015.

Introduction

Vocational education and training (VET) has been in the news for fraudulent behaviour and delivering poor quality training, which have often been affecting vulnerable students. Much of this behaviour has come from the prospect of easy government money and less than adequate oversight. Some issues can also be attributed to the decline in the level of funding per hour of government supported training.

This chapter begins with an overview of the VET sector. It then comments on four main forms of government funding:¹

- Subsidies to training providers;
- Provision of VET FEE-HELP loans to cover student fees;
- Apprentice incentive payments available to employers; and
- Financial support to full-time students, subject to a means test.

The effects of the funding system on the quantity and quality of training, and its relevance, are discussed.

The VET system

VET is best known for delivery to its trade apprentices, despite the fact they account for only about 10 per cent of students in the publicly supported system and a much smaller proportion of total VET activity, which includes privately delivered training. VET provides training in a wide range of areas including second-chance education, foundation level training for early school leavers and for older persons without qualifications. Students are spread across all fields of education with the largest numbers in management, commerce, engineering and related technologies, and society and culture (which includes training for care occupations). Approaching 90 per cent of students take a course leading to an Australian Qualifications Framework (AQF) qualification. Nearly 40 per cent of students are taking courses at Certificate III and another 30 per cent are taking courses at higher levels of Certificate IV or Diplomas. The remaining 30 per cent are taking courses at lower levels or non-AQF programs.

Students in public VET providers – largely TAFE institutes – and publicly supported students enrolled with private providers totalled some 1.8 million in 2014, compared with 1.4 million students in the higher education sector. VET has a much higher proportion of its students aged 25 and over, from equity groups and from remote regions.²

In addition to students in the publicly supported system there are a large number not receiving direct subsidy for training but enrolled with private providers and paying full fees.³ This includes domestic students, in some cases with VET FEE-HELP loans, most international students and employees supported by their employers.⁴

Most AQF qualifications in VET are based on units of competency set out in training packages. Training packages specify the skills and knowledge required to perform effectively in the workplace in various occupations. They specify appropriate forms of assessment. They specify the groups of competencies needed for particular qualifications. The development of training packages is now undertaken by Skills Service Organisations reporting to Industry Reference Committees. This structure replaces the previous Industry Skills Councils, which had union as well as employer representatives.

There are around 80 training packages. About half of all VET students take training in four main groups of training packages: community services; business services; tourism, travel and hospitality; construction; and plumbing and related areas.

Training packages do not specify how a learner should be trained. This is left to the Registered Training Organisation (RTO) delivering the training. RTOs are authorised to deliver training, assess students and award qualifications by a regulatory body – usually the Australian Skills Quality Authority (ASQA). ASQA also carries out audits of the performance of RTOs against a set of standards for providers.

Government funding of training providers

Government subsidy for the delivery of courses is given to some 2600 providers. There are approximately 4600 RTOs, which means only about 60 per cent of courses receive direct government funding. In contrast there are only about 170 higher education providers, with 37 public universities of dominating importance.

The public funding of VET providers for delivering courses is still largely a state responsibility. However, the Australian government provides around 40 per cent of public funds and exercises considerable influence on policy.⁵ Grants from Australian and state governments have usually made up around 75 per cent of total revenues of the publicly supported sector. The remaining revenue sources include domestic student fees, international students' fees and international activities, and other fees for service including contracts for employers.

The distribution of funding in VET and the quantity of funding have been affected by the introduction of entitlement schemes by the states. These enable all persons to have a government subsidised place at least to Certificate III. The schemes were also to allow private providers access to public funds, though the extent of this has varied across states.

The new funding arrangements were to promote training that was demand-led by students or the employers of apprentices. This was in place of the specification by state authorities of a set number of places largely in TAFE institutions, with the specification informed by industry needs. The new view was that a demand-led approach supported by good information on the labour market would work more effectively to meet industry and individual needs than the previous more interventionist approach.

Entitlements and funding of private providers in VET had been encouraged in a national agreement in 2008. From 2009 Victoria itself initiated reforms, with Australian government encouragement. South Australia followed. Following a specific requirement in a National Partnership Agreement on Skills Reform in 2012 for the entitlement system to be open to private providers Queensland and Western Australia have substantially introduced such systems.⁶ Other states have made more limited changes.⁷ It's worth noting that around this time the Australian government uncapped its support for higher education students but did not make the funding available to private providers or deregulate fees. Victoria and Queensland have fully deregulated fees for VET.⁸

“The public funding of VET providers for delivering courses is still largely a state responsibility. However, the Australian government provides around 40 per cent of public funds.”

The Victorian changes led to a 30 per cent growth in VET students from 2010–2012, all of the expansion was with private providers. On top of that, hours of training per student increased by about 10 per cent in TAFE institutions and nearly 30 per cent in private providers, so the full-year training equivalent (FYTE)

measure rose 50 per cent.⁹ This increase in hours per student was because students moved to longer courses, to full-time courses and to taking more than one course at a time.

Victorian public recurrent funding of VET rose more than 50 per cent from 2010–2012. With such a huge blowout in the budget and public concerns with quality it is not surprising that changes were made to the funding arrangements. Conditions for funding providers were tightened. The entitlement scheme was retained but there was a severe reduction in the rate of subsidy for courses seen as of low priority to industry. This could be seen as a fairly quick step back from student demand-led distribution of training.

By 2014 total state funding was below the 2011 level in nominal prices. VET student numbers had fallen to their 2011 level with all of the fall occurring in the TAFEs, where student numbers were down 25 per cent on the level in 2010. The total payments to private providers continued to rise. Private providers' share of government grants in Victoria rose from 20 to 60 per cent in four years.

Many critics formed the view that the scheme adopted in Victoria had been provider-led rather than student or employer demand-led. The VET Funding Review in 2015 said:

“In recent years, too much of the system has been driven by provider behaviour, rather than supporting students to make informed training decisions, or to protect them from opportunistic or unethical behaviour. There has been too much emphasis on increasing both the number of providers and the intensity of the competition between them, and not enough care taken in ensuring they are delivering quality training. There has been too much focus on increasing the volume of training, and not enough on whether the training leads to positive outcomes for the students such as employment and further education.”

The national picture is represented in Figure 1, which shows indexes of the student numbers and total revenues. The very large proportion of the national changes shown can be attributed to Victoria.

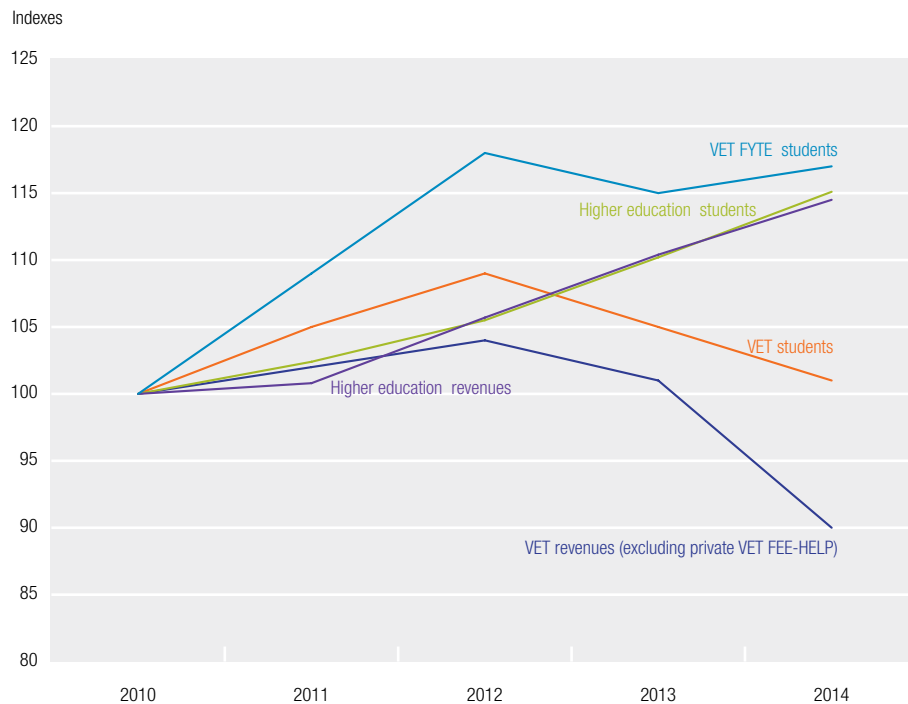
VET revenues increased up until 2012 but then fell quite sharply by 2014 to about 10 per cent below the 2010 level. VET students increased up until 2012 but had fallen by 2014 to only fractionally above the 2010 level. So revenue per student was about 10 per cent lower in 2014. The FYTE rose nearly 20 per cent to 2012 and has fallen, but not as much as student numbers.

For comparison, Figure 1 includes indexes for higher education students and revenues, both of which were 15 per cent higher in 2014. As stated, VET student numbers were only two per cent higher and revenues 10 per cent lower.

In summary the new funding systems including the payments to private providers and the overall fall in VET revenues had significant consequences for quality, considered further in the last section of this chapter.

“Victorian public recurrent funding of VET rose more than 50 per cent from 2010–2012. With such a huge blowout in the budget and public concerns with quality it is not surprising that changes were made to the funding arrangements. Conditions for funding providers were tightened.”

FIGURE 1
VET AND HIGHER EDUCATION STUDENTS AND REVENUES



Source: NCVET 2015, *Government Funded Students and Courses 2014*.
Department of Education and Training 2015, *Higher Education Statistics 2014*.
NCVER 2015, *Financial Information 2014*.
Department of Education and Training 2015, *Higher Education Finance 2014*.

Note: Revenues are in 2014 dollars. VET students reported in this figure are those attending public providers and the publicly funded students attending private providers. The higher education students are those attending public providers. The chain price index of the GDP is used to estimate revenues in constant prices. The VET revenues exclude loans for VET FEE-HELP paid to private providers as their students are not included in the VET students graph.

In terms of providing access to training and to meeting student and workforce needs not very much has been achieved. Clearly with student numbers a little higher at the end of the period, overall participation has not changed much. It has fallen markedly for teenagers. For equity groups it does appear to have improved for Indigenous and persons with a disability but this is less clear when consideration is given to the decline in numbers not known in the statistics.¹⁰

This rise and fall in VET student numbers can be seen out of line with the advice by the Australian Workforce and Productivity Agency in 2013 that VET and higher education student numbers should grow by about three per cent per annum.¹¹ This advice was based on several scenarios for the economy, one of which included the end of the mining boom. The proposed growth in education was to meet the projected occupational needs of the economy. It was also designed to lift the qualification levels among the less advantaged as an important means of lifting their labour force participation.

Overall, graduates responding to an outcomes survey indicate high levels of satisfaction with their publicly funded courses.¹² There is no information on the views of early drop outs. However, employer satisfaction with training for occupations requiring a VET qualification fell from 85 per cent in 2011 to 78 per cent in 2013 and 76 per cent in 2015.¹³ This needs further analysis.

Government funding of student fees

VET FEE-HELP loans are provided by the Australian government for VET diploma, advanced diploma and graduate certificate and diploma courses. A relatively small number of RTOs receive them.

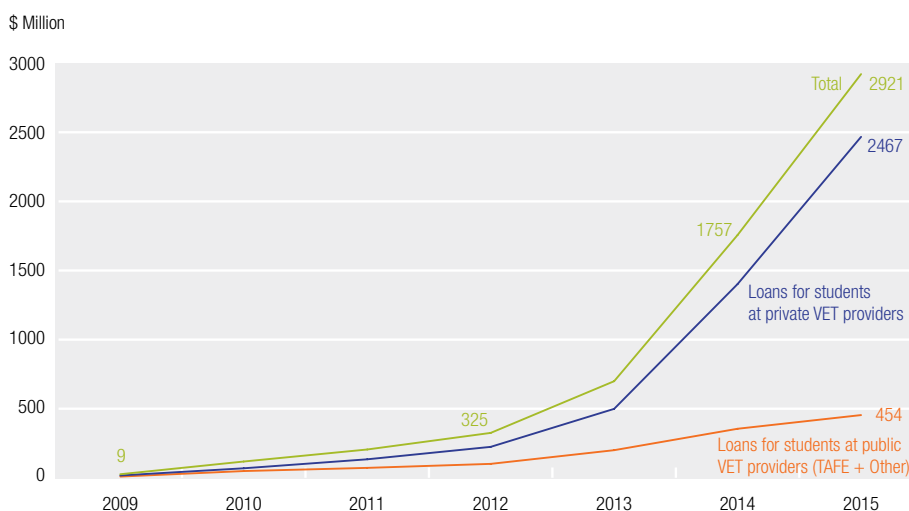
There had been pressure for many years to make HECS type loans available to VET students. They were introduced to the VET sector as VET FEE-HELP by the Australian government in 2009, initially for full-fee diploma and related courses which had credit transfer arrangements with higher education courses. This requirement for credit transfer was lifted in 2012 and loans are now also available for fees for diploma and higher level courses in government funded courses.

The costs of these new loans rose from \$0.3 billion in 2012 to nearly \$3 billion in 2015. This is a very large sum equal in size to over 30 per cent of the total of all revenues of the publicly subsidised system.

While there are nearly 3000 private providers of VET, less than 200 accessed VET FEE-HELP in 2014. Some providers received more than \$200 million in 2015 and 10 providers accounted for half the outlays.¹⁴

The Australian government's paper on redesigning VET FEE-HELP lists a large number of concerns with its recent operation. These include dubious marketing such as free iPads, targeting vulnerable people and enrolling them in multiple courses and in courses with little relevance to labour market needs. Some students were told their course was free. This in a sense was true for those students whose abilities and readiness for the course meant it unlikely they would complete and obtain work that paid more than the threshold income for repayment of just over \$54,000 per annum.

FIGURE 2
VET FEE-HELP LOANS YEAR-ON-YEAR



Source: Department of Education and Training 2016, *Redesigning VET FEE-HELP, Discussion Paper*.

Note: Loans are in nominal dollars. The funds paid to public VET providers are treated in the NCVET *Financial Information* as part of the revenue of the public system and included in the revenues in Figure 1. As shown here about 80 per cent of the loans have been made for students at private providers. They have been excluded from the revenues reported in Figure 1 as they apply to students who are excluded from Figure 1.

The analysis of students with VET FEE-HELP shows disproportionate expansion in numbers of Indigenous, those with disability and with low socioeconomic status (SES). However, the completion rate for Indigenous students is very low, at about 13 per cent.¹⁵ For those with a disability and from low SES it is a little over 20 per cent. For comparison the national completion rate for government-funded VET programs at Diploma and above is 42 per cent, with rates for Indigenous and those with disability about 10 percentage points lower.¹⁶

The amount loaned grew in part because the fees charged were so high. The average fee charged to Indigenous students was nearly \$20,000 and for non-Indigenous students \$14,000. Lowest SES students were charged \$16,000 on average. In general, these charges were much more than twice the full-price levels set in NSW for publicly supported provision of VET.¹⁷

About 45 per cent of courses were delivered online and another 10 per cent mixed mode. The online courses had a completion rate of seven per cent in 2014. Online delivery has the potential to achieve great efficiencies but the very low completion rate suggests it is not being realised with the VET FEE-HELP students.

Whereas a little over 20 per cent of HECS loans are expected to remain unpaid, for VET FEE-HELP students it is estimated to be 40 per cent.¹⁸ It will probably be much higher for those students subject to exploitation who have low completion rates and poor job prospects.

“The analysis of students with VET FEE-HELP shows disproportionate expansion in numbers of Indigenous, those with disability and with low socioeconomic status (SES).”

The steps already implemented to reduce bad practices in recruitment and in misuse of VET FEE-HELP funds may be taking effect. The two largest recipients of VET FEE-HELP in 2014, Evocca and Careers Australia, have had extra reporting conditions imposed by ASQA.¹⁹ In March 2016 Evocca closed about a third of its campuses and dismissed over 200 staff reporting that more stringent conditions had meant fewer students could qualify to enter their diploma courses.²⁰

Incentives for employers of apprentices

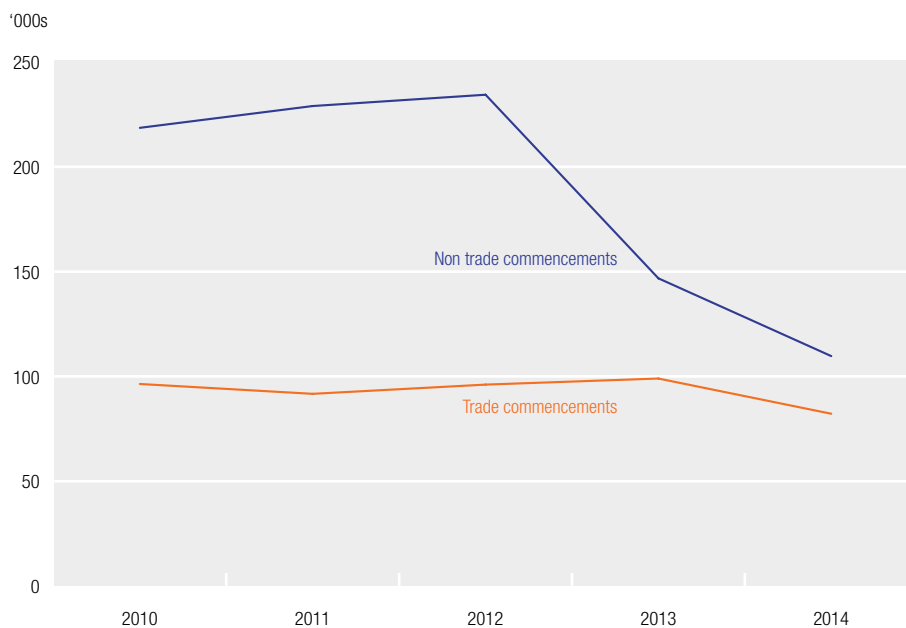
Commonwealth incentives for employing apprentices are currently provided to some 57,000 employers. A typical payment is a \$1500 commencing incentive and a \$2500 completion incentive for persons training for an occupation on the national skills needs list, which are almost all trade apprenticeships. Somewhat similar benefits are available for some priority occupations, such as aged care, childcare, disability care and enrolled nursing.

An expert panel on apprenticeships in 2011 advised that incentives paid to employers of apprentices be restricted to supporting qualifications that have tangible and enduring value for the apprentice and the economy.²² The expert panel noted that such a change would mean withdrawal of incentives for hospitality, clerical and administrative workers, sales workers, and machinery operators and drivers – some of which are traditionally female dominated.

The effect on traineeships is much as the expert panel expected. As shown in Figure 3 the number of traineeship commencements fell 50 per cent between 2012 and 2014 with the fall occurring in both younger and older age groups. Female commencements have fallen more than male. Trade apprentices for which employer incentives continued have fallen about 15 per cent.

Australian government outlays on employer incentives are now roughly half the level they were early this decade. The Australian government also provides to apprentices Trade Support Loans of up to \$20,000 over the life of the apprenticeship. In mid-2014 these replaced grants called Tools for Your Trade which provided \$5500 over the apprenticeship.²³ The loans are repayable like VET-FEE-HELP. Some 49,000 apprentices in trade occupations are forecast in the latest

FIGURE 3
TRADE AND NON-TRADE APPRENTICE AND TRAINEE COMMENCEMENTS



NCVER 2015 *Apprentices and Trainees 2014*.

budget to receive the loans. It is speculated that the shift from financial grants to repayable loans is a factor in the fall in trade apprentice commencements but it is unlikely to have had any effect in 2014.

Two comments, first:

“Australia is the only country that pays government incentives and subsidies on a large scale to the employers of apprentices and trainees to offset wage costs. Some countries do have much more limited incentives, based on an assessment of need (for example, some continuing education and training programs in Singapore), or to create training opportunities for people who are disadvantaged or have a disability, or in response to economic circumstances such as the recent global financial crisis.”²⁴

Second, traineeships were developed for early school leavers following the Kirby report in 1985²⁵. He advocated:

“A system of traineeships for young people in non-trade occupations combining broad based general education and training with work in a related occupation. The attempt is to capture the benefits of the ‘dual system’ operating in German-speaking countries where youth unemployment rates have been maintained at about the average for the population as a whole.”

Traineeships were initially available to young people but were later available to older persons and existing workers. They still are but the financial incentives are now available only for defined skill need areas. As noted the total commencing traineeships has plunged, affecting old and young alike.

“The financial incentives are now available only for defined skill need areas. As noted the total commencing traineeships has plunged.”

The issue of supporting young people to learn skills and be socialised into the world of work remains. The chapter in this publication on *Vocational learning in schools – an international comparison* addresses this.

Student assistance

Student financial assistance under Youth Allowance, Austudy and ABSTUDY is provided to about 60,000 VET students including some apprentices (and about 200,000 higher education students).

The Australian government student assistance for full-time tertiary students was liberalised following the Bradley Review of Higher Education in 2008.²⁶ The main changes were that the threshold for the parental income test was raised, the age of independence from parents was reduced from 25 to 22, and the personal income test for students was substantially eased.²⁷

An estimated 15 per cent of full-time VET students receive assistance compared with over 30 per cent of higher education full-time undergraduates.²⁸ At first glance the finding is disturbing as VET students tend to come from lower SES backgrounds than higher education students. Further analysis on the comparability of the data analysed is needed.

Quality

The quality of VET in the last decade has suffered from the changes in funding both in its quantity and its distribution. The first matter is the decline in public funding of VET per hour of training, which as documented by the Productivity Commission and discussed by Peter Noonan is a long-term trend.²⁹ The decline could continue at least in the short-term. The expiry of the National Partnership on Skills Reform after this year might see a cut in over \$500 million in annual Australian government funding to the states for VET.³⁰ The cuts in public funding have led to a reduction in face-to-face teaching and use of more contract and casual staff, which makes sustaining quality provision difficult, though new learning technology can help offset these effects.

Coupled with the ongoing decline in the rate of public funding was the introduction of entitlement schemes aimed to promote participation, market competition, efficiency and responsiveness to needs. In practice the very rapid growth in provision by private providers was accompanied by a range of undesired outcomes and waste as discussed above. There was indeed anxiety and debate about the policies before they were adopted. Skills Australia had advised that the introduction of the new schemes should not occur until quality provisions, particularly relating to assessment of students leading to the award of a qualification, had been implemented.³¹

There should have been further questioning of the nature of the market – whether the anticipated benefits of competition would flow when the product was partly, often fully, subsidised by the government. The point is made by the Grattan Institute (2016):

“The 2015 Harper Review of competition policy advocated commissioning a diversity of service providers where possible. While this is a sensible idea in theory, execution is everything. The recent examples of both the home insulation (pink batts) scheme and vocational education and training reinforce previous experiences: taxpayer funding of for-profit entities to provide services at the behest of individual citizens inherently creates opportunities for poor outcomes, or even fraud that must be carefully managed.”³²

The problems and waste particularly in Victoria are dwarfed by the recent experience in VET FEE-HELP which the Australian government is now seeking to rein in. The government’s recent frank discussion paper on redesign of VET FEE-HELP showed the limitations on its capacity to intervene to stop fraud quickly.³³

There have been a number of proposals and some reforms already to limit the extent of fraudulent behaviour and improve the quality and focus of VET provision.

In Victoria and South Australia there are proposals for greater recognition of the roles of the public provider, which include a major commitment to provision for the less advantaged and the delivery of trade training.³⁴ Publicly owned providers,

“The expiry of the National Partnership on Skills Reform after this year might see a cut in over \$500 million in annual Australian government funding to the states for VET.”

while granted considerable independence, are subject to the state authority in addition to regulatory boards like ASQA. This provides some additional scrutiny of quality.

There could be more control of fees. This is raised in the context of the excessive fees charged by RTOs receiving VET FEE-HELP. The other issue is a minimum upfront fee. This is seen as a means of having the student scrutinise what is being provided more carefully and to seek and use information. Some of the deception of students has occurred for subsidised courses for which no fee is charged or for a full-fee course where VET FEE-HELP offsets all upfront fees.³⁵

Better training of VET teachers is required. The mandated Certificate IV in Training and Assessment has been strengthened and the conditions for a provider to deliver the teacher training certificate have been enhanced.

Australia is very unusual in that a new provider can enrol students, assess them and award qualifications. In England an awarding body can be authorised to approve a qualification to be delivered by a training provider and to undertake or supervise the assessment of the training leading to the award of a qualification. The recent Australian government discussion paper on assessment canvases an idea for “training only RTOs” with assessment carried out by another RTO.³⁵

It is important that the assessment leading to the award of a qualification be valid and reliable. From the beginning of 2016 the external validation of assessment which providers are required to undertake now means that the validation is carried out by validators who are not employed or subcontracted by the RTO and have no other involvement or interest in the operations of the RTO.³⁶

Validation is to show that the assessment process produced valid, reliable evidence that the requirements of a course had been met. It does not show whether the assessment of any student has met the standards. For this an external assessment or test set by a body other than the provider could be needed. Gillis et al have recently undertaken a detailed review of external assessment which is already used in trades such as electricians and plumbers.³⁷

Given the need in many VET courses for a practical test additional to or in place of a written exam it is not suggested that major examining bodies like those for senior school certificates be established. Instead the extension of the approaches in some of the trades could be followed. External assessment is common practice in a large number of countries and not only for high risk qualifications.

“Better training of VET teachers is required. The mandated Certificate IV in Training and Assessment has been strengthened and the conditions for a provider to deliver the teacher training certificate have been enhanced.”

The practice in Germany is that:

“Enterprises and vocational schools are responsible for conducting training, but the Chambers (competent bodies) are responsible for conducting the examinations. To this end, the Chambers have to set up their own examination committees for each occupation to be examined. Each examination committee must have at least three members (one representative each of employers and employees and a vocational schoolteacher). The examination certificate is issued by the Chamber.”³⁸

An objection often made to external examination is the cost, though usually no information on costs is presented. Gillis et al note:

“While it is recognised that there would be costs associated with developing and maintaining an external assessment system for high risk qualifications at the national level, such costs would be significantly less than the collective costs associated with nearly 5000 providers duplicating human and financial resources to design, administer and validate their own assessments at the local level and then for the national regulatory body to monitor such RTO based assessments.”³⁹

As a final comment, there is a strong case for the view of the Bradley Higher Education Review in 2008 that a common funding and regulatory framework for both VET and higher education be established.⁴⁰ This has been ignored. If pursued, many of the problems arising from the interaction between finance and quality in the VET sector might have been mitigated.

Thank you for suggestions to Marilyn Hart and Joanna Palsler.

Endnotes

- 1 The chapter does not give separate attention to the considerable revenues VET providers receive from training in other countries and from international students in Australia most of whom are enrolled with private providers. National Centre for Vocational Education Research (NCVER) 2016, *Making Sense of Total VET Activity: an initial market analysis*.
- 2 NCVER 2015, *Government Funded Students and Courses 2014*
- 3 Until 2014 data on students and courses was collected only from public providers and from private providers for students supported by government funds. In 2014 data was collected from nearly all private providers. This confirmed that the fully private VET sector was large. As a first collection from providers who do not receive a direct subsidy for training its reliability is likely to be less than for the government funded sector. NCVER 2015, *Total VET Activity 2014*.
- 4 NCVER 2015, *Total VET Activity 2014*.
- 5 NCVER 2015, *Financial Information 2014*.
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