



Foundations for the Future

Draft Proposals for Future Governance, Architecture
and Market Design for the National Training System

For consultation

Skills Australia ▶ Position paper ▶ April 2009

Contents

Foreword	1
Executive Summary	2
Summary of Recommendations	5
1. Introduction	8
1.1 Background.....	8
1.2 Objectives for more effective governance.....	9
1.3 Positioning for the future- a case for change.....	9
1.4 The framework for governance proposals.....	9
2. The context for Skills Australia’s advice	11
2.1 Skills Australia’s position on the threshold issues.....	11
2.1.1 Governance for a more integrated sector.....	11
2.1.2 Improved participation.....	12
2.1.3 Industry leadership and system development.....	12
2.1.4 The role of governments.....	13
2.1.5 The nature of investment.....	14
2.1.6 More consistency and streamlined national regulation.....	14
3. Leading a unified vision for skills to support a national economy	16
3.1 More integrated tertiary sector governance.....	16
3.2 Industry’s role in leading the National Training System.....	17
3.2.1 Planning for investment in skills and workforce development.....	17
3.2.2 Strategic policy and reform.....	18
3.2.3 Quality and regulation.....	19
3.3 A proposed way forward.....	19
3.4 Recommendations.....	21
4. Providing the evidence base for policy and reform	22
4.1 Governance needs for effective skills planning, policy and investment.....	22
4.2 System architecture implications.....	23
4.3 Recommendations.....	24
5. Investing wisely and effectively in skills and workforce development	25
5.1 Investment roles and governance.....	25
5.2 System architecture implications.....	26
5.2.1 A more coherent national investment framework.....	26
5.2.2 Recommendation.....	28
5.2.3 Reframing the focus on market design.....	28
5.2.4 Complementary reform areas for market design.....	30
5.3 Recommendations.....	31
6. Regulating and ensuring quality services and products	32
6.1 National governance of regulation and quality assurance.....	32
6.1.1 The role of the national VET regulatory body.....	33
6.1.2 Implications for existing regulatory structures.....	33
6.1.3 Implications for broader tertiary sector.....	34
6.1.4 Recommendations.....	34

6.2	System architecture - strengthening regulation and quality	35
6.2.1	Strengthening the AQTF	35
6.2.2	Recommendation	36
6.2.3	Purchasing of training and quality assurance	36
6.2.4	The role of contracts and contract auditing in assuring quality	36
6.2.5	Recommendations	37
6.2.6	Training Packages and the development of NTS quality architecture	37
6.2.7	Recent developments	38
6.2.8	Qualifications and inter sectoral integration	38
6.3	Reporting on system and provider performance	39
7.	Using information for system performance and client choice	40
7.1	Information and governance: why the focus on information.....	40
7.2	The role of a national VET regulator	41
7.3	System architecture implications - what kind of information?	42
7.4	Recent developments	43
7.5	Recommendation	44
8.	Providing training services that meet needs.....	45
8.1	Governance dimensions of service delivery.....	45
8.1.1	Client expectations of VET providers	45
8.2.1	What are the implications for governance?.....	46
8.2	The value and contribution of the public provider	47
8.3	Governance matters for providers in the VET sector.....	48
8.4	Recommendation.....	48

Foreword

I am pleased to introduce for consultation, Skills Australia's proposals for a new governance and architecture framework for the National Training System.

In September last year, Skills Australia released a Discussion Paper and conducted consultations on *'Future governance arrangements for the National Training System'*. We have now reviewed submissions on that paper, international research and outcomes of consultation with stakeholders. We have also taken into account the recommendations made in the Bradley Review of the Australian Higher Education system.

The Deputy Prime Minister has also requested Skills Australia to assist in developing advice on market design in the VET sector. We have considered this as part of our deliberations on National Training System governance functions and proposals for market design are included in this paper. We see training market policy as integrally aligned to matters of quality, consumer protection and information.

A robust governance model should be clear about responsibilities, relationships and lines of communication. More than this, it should be agile and responsive to change and enable well informed decision-making, incorporating advice from those for whom the system operates.

The release of this paper coincides with completion of the Board's first year of operation. In that time much has happened, including the dramatically changing economic and financial landscape. This has strengthened our collective resolve to ensure the Australian training system is on firm footing to work with individuals, industry and communities to help them bounce back strongly during the recovery and beyond. The foundation for our future lies in the innovative and productive use of higher skills.

The Australian National Training System is built upon a wide range of stakeholders. We rely on your continued participation to ensure we are well positioned for the future. It is our desire to maintain a spirit of collaboration within this consultative process and would be pleased to receive your valuable input and/or meet with you to gain further insights. We welcome your comments and submissions to secretariat@skillsaustralia.gov.au by 12 May 2009. The outcomes of this consultation will inform our final advice to the Deputy Prime Minister and through her to the Ministerial Council.



Philip Bullock
Chairman
Skills Australia
April 2009

Executive Summary

Skills Australia is clear any change in governance arrangements for Australian education and training has to be grounded in the vision of building Australia's skill base for a more productive, inclusive and sustainable future.

Like the Bradley review panel on Australian higher education, we believe Australia is at a pivotal point in history where a step change is needed to address our skills challenges and to equip us in rapidly changing global and local economies and communities. Driving change with a leadership model and complex governance roles and relationships that were designed for another era will not assist.

Consumer expectations in the 21st century are sophisticated and their needs are often complex. Consumers want from training providers the tailored, easily accessible and flexible service they have come to expect in many other contemporary service industries. Creativity and responsiveness is being demanded, not standardised or rigidly designed services. This doesn't only mean service facilitated through technology, but also more holistic and personalised services.

Users want to choose a service to suit them. Training providers and businesses are increasingly jointly designing and integrating training with longer term corporate strategies in mind, rather than simply provision of a standard course. Workforce development and changes in workplace culture are seen by enterprises and governments as integral to economic development, innovation and increased productivity.

Country comparisons confirm the Australian National Training System is outstanding in many respects, especially in relation to industry's close involvement in national skills standards and training products, and employers' engagement in workplace training. The public TAFE system is unique and its significant contribution to our economic capability and community well-being must be maintained and enhanced. But there are new challenges in raising our national level of skills and advancing our international competitiveness through workforce development, innovation and value-adding to smarter enterprise performance.

What are the implications for future system governance? The messages for National Training System governance at the national, state and provider level are about responsiveness and flexibility.

This position paper supports a more aligned and streamlined governance model for an integrated tertiary sector. This is the policy landscape within which our recommendations are made. Our proposals complement this direction, but speak largely to the National Training System's specific governance requirements to support its distinctive mission and characteristics. Skills Australia sees increased training participation, higher level skills and improved outcomes leading to employment by those from lower socio economic status groups as the most significant goal to be achieved through a more integrated tertiary education sector.

Underpinning our recommendations on a national governance framework, is our conviction that vocational education and training is distinctive and unique, with a role for industry woven into the fabric of the sector. These characteristics need to continue to be guaranteed in any new arrangements. Vision and direction setting for an integrated tertiary sector is not a task for governments alone. Industry must be in a position to influence the direction of planning and investment in skills priorities, contribute to strategic directions and shape reform, and lead quality and standards. Skills demand and their impacts across the economy are volatile.

Vocational education and training is a sector in which three principal parties have co-invested: the Australian government, States and Territories and industry. This investment is substantial and should be informed by evidence of the future workforce that is needed for Australia's resilience and social well being. We see a comprehensive and co-ordinated nation-wide network of strategic industry advice and evidence from State and Territory training agencies, Industry Skills Councils, national peak industry groups and Skills Australia as a strong platform for the development of our tertiary education sector.

This position paper identifies six underpinning functions of the National Training System's future governance and architecture and Skills Australia proposes these as the framework on which a more cohesive and streamlined system can be established. The functions are:

- Leading a unified vision for skills to support a national economy
- Providing strategic advice and the evidence for reform
- Investing wisely and effectively in skills and workforce development
- Regulating and ensuring quality services and products
- Using information to inform decision making, quality and client choice
- Providing training services that meet needs.

This framework is a foundation for our advice and has influenced our decision to support:

- The establishment of a single Ministerial Council for Tertiary Education. This new structure will produce more unified and comprehensive skills policies, regulatory and investment strategies across tertiary education and training to help achieve the significant agenda of increased training participation and higher level skills for all Australians. It would be underpinned by specific governance requirements to support the VET and higher education sectors as they strengthen their respective regulatory arrangements and adopt funding models that suit their distinctive missions.
- A workforce development function for skills across the whole economy and advice on the effectiveness of the tertiary sector in delivering the nation's requirements. A strengthened and more co-ordinated national network of strategic industry leadership is also outlined to ensure industry stakeholder input supports all governance functions.
- A recasting of the policy framework for training market reform. An expansion of contestability should occur, complemented by strengthened and more consistent national regulation to ensure safe-guards are in place to guarantee the quality of training. We see the more productive use of skills should be fundamental to redesign of training market relationships, where there is genuine engagement between employers and training providers. We envisage a managed market approach with services purchased by States and Territories aligned with their economic, community and enterprise workforce development needs. Strong public providers will continue to be essential in these markets through the significant physical and intellectual infrastructure they provide in the communities they serve.
- A coordinated national approach to tertiary education regulation led initially by two separate national regulatory bodies – with a statutory body of independent experts for VET. We recommend these regulatory bodies work together to establish and align consistent national frameworks for each sector within the first twelve months. Once this architecture is stable we expect these bodies should merge. This model recognises the intrinsic role of industry in driving the standards, quality and outcomes of vocational education and training, but at the same time emphasises the essential requirement for greater national consistency and simplicity.

This position paper discusses the need for skills investment decisions to be informed by clearer understanding of total public and private expenditure, as well as emerging demands and priorities. It argues for a collaborative approach to investment decisions, involving industry as well as Governments to maximise the effectiveness of these collective resources. It builds upon the existing role played by Skills Australia in developing a clearer evidence base and framework for future government and industry investment in skills.

We recommend the need for more rigorous and consistent approaches in States' and Territories' purchasing arrangements to ensure only quality providers are eligible for public funding. Purchasing contracts should be strengthened by best practice, nationally agreed core standards for provider performance and evidence of outcomes. The paper also discusses the importance of strengthening the Australian Quality Training Framework (AQTF) to allow for more rapid interventions and sanctions of poor training provider performance. These developments are important for a training market in the process of reform.

An effective and mature training market depends on improvements to the amount and type of information made publicly available to users and purchasers of services. We propose the national

VET regulator has the authority, through its focus on quality assurance and regulation to drive the collection, reporting and improved accessibility of provider level information. This information has to be easily accessible, engaging and informative for the public. There is also the opportunity for the national regulatory body to work with third parties, to increase the interest and value for consumers of performance information and to make it more user friendly.

The position paper concludes by focusing on the need for a strong public provider of training working alongside a diverse and robust private provider network as a fundamental platform for meeting these needs and achieving COAG targets for higher level skills. It outlines the significant value and contribution of the public provider to Australia's skill base and recommends States pursue governance reforms to stimulate the operational independence of the TAFE sector for greater diversity in service provision. This is seen as important to ensure the public provider is well positioned to work effectively in an expanding market and to be able to use earnings to re-invest in its service capability.

Summary of Recommendations

Setting a unified national vision

(Recommendations Section 3.4)

It is recommended that:

- i. the Council of Australian Governments establishes a realigned Ministerial Council for Tertiary Education for training, higher education and employment participation
- ii. the Ministerial Council for Tertiary Education formalises new arrangements for industry advice as a central feature of the governance framework including:
 - establishment of a Peak Industry Advisory Group of employer and employee representatives to meet biannually with Ministerial Council to represent their views on ways to promote skill development and utilisation
 - independent evidence and advice on strategic policy, planning and investment decisions for the tertiary education sector drawn from a national network of industry advice and co-ordinated through Skills Australia.
- iii. Australian Governments agree to establish national statutory arrangements for VET regulation and quality led by an independent board with the expectation that over time these regulatory arrangements align and eventually integrate with those for higher education.

Providing the evidence base for policy and reform

(Recommendation Section 4.3)

It is recommended that:

- iv. a nation-wide network of skills planning and industry advisory arrangements be formalised in the new governance framework. This network will reflect the relationship between Industry Skills Councils, their state counterparts, and state training authorities. The network will provide the evidence and advisory base through Skills Australia to Ministerial Council for skills planning and investment decisions

Investing wisely and effectively in skills and workforce development

(Recommendation Section 5.2)

It is recommended that:

- v. Australian Governments develop an investment framework for the tertiary sector to optimise the effective use of public and private expenditure on skills, which plans for and ensures this investment meets national priorities. This framework should be based on more comprehensive and consistent data on the scale and nature of employers' expenditure on training.

(Recommendations Section 5.3)

It is recommended that:

- vi. Australian Governments adopt a purchasing approach as the preferred model for market reforms in VET and future investment in skills
- vii. Australian Governments agree to the proposed managed market reform approach to achieve greater choice and contestability as the basis for intergovernmental agreement together with:
 - implementation of a new national regulatory framework through an independent statutory body
 - continuing to ensure the ongoing role of public providers and their agency in regional economic development, particularly in thin markets
 - greater industry engagement in States' skills investment decisions with governance arrangements to reflect this, and
 - improved consumer information to assist choice.

Regulating and ensuring quality services and products

(Recommendations Section 6.1)

It is recommended that:

- viii. Australian Governments undertake legislative reform to establish an independent national regulatory body, absorbing the functions of State and Territory regulatory authorities and reporting to Ministerial Council
- ix. Australian Governments agree the national VET regulatory body be responsible for the registration and audit of VET providers, final endorsement of training products and dissemination of provider performance information on service quality and outcomes to assist users
- x. Australian Governments agree in principle that the national VET and higher education regulatory bodies and the Australian Qualifications Framework Council would merge as the alignment of the new regulatory arrangements mature and become more stable.

Skills Australia notes and endorses the essential work of the Australian Qualifications Framework Council to establish parity and greater national consistency between university and VET sector qualifications as well as introduce mechanisms for competency-based and merit-based systems to more readily inter-relate, for the benefit of students.

(Recommendation Section 6.2.2)

It is recommended that:

- xi. the proposed national VET regulator, as a priority, strengthens AOTF risk management protocols, scope for interventions and treatment of sanctions to enable rapid national response to poor RTO performance

(Recommendations Section 6.2.5)

- xii. Australian governments introduce a more consistent national framework for purchasing contracts with agreed core standards– focusing on RTO performance requirements and evidence samples, while recognising States/Territories' need for unique contractual specifications
- xiii. Australian Governments introduce a consistent national approach to checking the financial viability and track record of RTOs as quality providers, as a standard requirement for their eligibility for public funding

- xiv. the proposed national VET regulator work with States and Territories:
 - to develop a national framework and agreed core standards for purchasing contracts
 - to advise on consistency of purchasing and performance standards and mechanisms for integrated AQTF compliance and purchasing auditing approaches to be implemented by States.

Using information for system performance and client choice

(Recommendation Section 7.5)

It is recommended that:

- xv. The proposed national VET regulator, working closely with the National Centre for Vocational Education Research, undertakes the role of system performance evaluator and makes provider performance and outcomes information publicly available to assist users and inform quality reforms

Providing training services that meet needs

(Recommendation Section 8.5.1)

It is recommended that:

- xvi. State Governments undertake appropriate governance reforms to increase the operational flexibility and business autonomy of public providers to stimulate greater diversity in service provision, and to ensure they are strongly positioned in an increasingly competitive market to contribute to COAG and Bradley targets.

1. Introduction

1.1 Background

Governments across Australia have committed to an increased investment in skills and reform of the vocational education and training sector to enhance its flexibility and responsiveness, improve access to skills and qualifications and to achieve successful outcomes for all Australians.

In September 2008 Skills Australia released a Discussion Paper *Future Governance of the National Vocational Education and Training System* and conducted consultations to develop advice for the Deputy Prime Minister on the:

- most effective governance relationships within the National Training System, and
- appropriate areas of change to current governance arrangements for further development of the National Training System, to strengthen linkages, and to ensure an effective national response to the development of a highly skilled workforce.

Skills Australia has reached a view and developed a governance model for future relationships between advisory, regulatory and jurisdictional bodies operating in the National Training System and proposes a way forward.

In our first year of operation, Skills Australia members have undertaken extensive consultations and meetings on a range of matters with training system stakeholders and these have provided wide ranging insights into National Training System (NTS) issues of the moment. In forming our views on future governance for the system, we have drawn not only on members' intimate knowledge and expertise in various aspects of the vocational education and training sector, but also on the significant jurisdictional and systemic reviews and research at both state and national levels that we have individually undertaken in recent years.

In relation to the September Discussion Paper, submissions were received from stakeholders (see attachment A for list of submissions) and Board members met with all State and Territory representatives. Consultation meetings were held with Industry Skills Councils and stakeholders such as the Australian Qualifications Framework Council, TAFE Directors Australia, the National Quality Council, the National Industry Skills Committee and others.

We commissioned research on country comparisons from the National Centre for Vocational Education Research (NCVER)¹ and this was facilitated through an international participant panel.

In the course of our deliberations a number of significant developments have occurred with implications for governance and architecture of the National Training System.

Firstly, Skills Australia has developed its response in relation to Ministerial Council agreements in favour of new Ministerial Council arrangements for a more integrated tertiary education sector. Secondly, the Bradley Review² recommendations for higher education have also been released which have significant ramifications for the vocational education and training (VET) sector. Skills Australia has taken these recommendations into account in developing its position.

This position paper supports a governance model for a more closely integrated tertiary sector, and acknowledges this as the policy landscape within which our recommendations are made. Our proposals complement this direction, but speak largely to the vocational education and training sector's specific governance requirements to support its distinctive mission and characteristics.

Thirdly, the global economic downturn has underscored the importance of the inter-relationship of the social inclusion and productivity agendas, to ensure there is no-one left behind on the way to economic recovery. Industry engagement in this period will be most important. It has been a

1 M Cully et al (2008) *Governance and architecture of Australia's VET sector: Country Comparisons* Report prepared for Skills Australia, NCVER unpublished draft December 2008

2 Australian Government (2008) *Review of Australian Higher Education – Final Report*, chaired by Professor Denise Bradley <http://www.deewr.gov.au/HigherEducation/Review/Pages/ReviewofAustralianHigherEducationReport.aspx>

distinguishing feature of the National Training System development over the last 15 years and will play a strong role in future reform.

Lastly, the Deputy Prime Minister requested Skills Australia to provide advice on sustainable market reform of the VET sector and to address any implications for future governance arrangements.

1.2 Objectives for more effective governance

The September Skills Australia Discussion Paper suggested a number of principles and objectives³ to apply to future governance arrangements of the NTS, which the Board sees as being critical to underpin its capacity to respond to and achieve identified Council of Australian Government (COAG) aspirations⁴.

These objectives are to:

- promote a unified national vision and consistent approach to meeting Australia's skill needs
- position industry and the needs of individuals at the centre of the system, driving its direction and outcomes
- use and develop a robust evidence base for planning, analysis, incisive policy leadership and strategic positioning to address emerging needs and challenges
- utilise funding to drive changes in Australia's skill culture, provider performance, stakeholder commitment and further investment in and utilisation of skills
- drive excellence, consistency, streamlined processes enhancing access to, confidence in and relevance of the national training system, and
- be performance and outcomes oriented with clarity of information to consumers and transparency of outcomes to all stakeholders.

Consultations and submissions following the publication of the Discussion Paper expressed support for these objectives. Consultations also reinforced that in designing the future governance framework for the National Training System, it is most important to address and give priority to the needs of those whom the system is designed to serve - individuals and enterprises⁵.

1.3 Positioning for the future- a case for change

Skills Australia is clear that any change to governance arrangements for the national Training System has to be grounded in the collective vision of building Australia's skill base for a more productive, inclusive and sustainable future.

Like the Bradley review panel, we believe Australia is at a pivotal point in history where a step change is needed to address our skills challenges. Driving change with a leadership model and complex governance roles and relationships that were designed for another era will not assist.

Skills Australia, based on research, advice received in submissions and our extensive consultations, is also concerned to streamline and simplify the governance framework.

1.4 The framework for governance proposals

A good governance model for the national training system should articulate clear roles and accountabilities and promote the confidence of all levels of government and stakeholders. Relationships in the governance framework should assist agile decision making and responsiveness and provide capacity to comprehensively address issues of policy. Lines of communication and advice should be simple and transparent.

3 Skills Australia (2008) *Future governance arrangements for the National Training System*
http://www.skillsaustralia.gov.au/Publications_and_Resources/#Skills_Australia_Governance_Discussion_Paper_-_September/October_2008

4 Joint MCEETYA/MCVTE Meeting 17 April 2008, Melbourne Communiqué, 17 April 2008

5 The Australian Chamber of Commerce and Industry (ACCI) submission for instance also pointed out that given the current economic conditions and potential for increasing unemployment, it will be important for the NTS to respond to the social inclusion and workforce participation agenda as well as meet the needs of industry.

In developing a more textured and detailed elaboration of appropriate governance to suit a more integrated tertiary sector, Skills Australia sees that there are six overarching functions that support a vision for the NTS of “*Building Australia’s skill base for a more productive, inclusive and sustainable future*”. These functions are:

1. *Leading a unified national vision for skills to support a national economy*
2. *Providing the evidence base for policy and reform*
3. *Investing wisely and effectively in skills and workforce development*
4. *Regulating and ensuring quality services and products*
5. *Using information to inform decision making, quality and client choice*
6. *Providing training services that meet needs.*

Key Functions of the Governance Framework



This framework is used to elaborate the governance functions and proposed operational arrangements to support it.

The discussion in sections 3-8 outlines the more detailed proposals for governance and decision making arrangements. The sections also describe proposed improvements for NTS architecture which are the mechanisms and processes through which the system operates.

2. The context for Skills Australia's advice

2.1 Skills Australia's position on the threshold issues

This section briefly discusses some of the threshold issues that underpin the question of a better governance model for the training system. It discusses the distinctive nature of VET and provides Skills Australia's views on key policy questions that have informed our thinking on future governance and architecture proposals.

Some of the significant policy questions that have framed Skills Australia deliberations on system governance were:

- What is the nature of governance in a more integrated tertiary sector while still respecting and supporting the distinctive characteristics of vocational education and training?
- How can tertiary education governance better support increased participation, especially by those from lower socio economic groups?
- How do we best clarify and position industry's role in National Training System governance?
- What is the relationship between governments in tertiary education governance?
- What is the nature of skills investment and its effective management to achieve strategic outcomes?
- How can we improve and simplify quality and regulatory arrangements?

2.1.1 Governance for a more integrated sector

Skills Australia's perspective and proposals to support more integrated tertiary sector governance are based on the understanding of the important distinctive functions of the higher education and VET sectors in relation to the national development of workforce skills. At the same time, Skills Australia recognises the value of a stronger policy alignment of these sectors through a Ministerial Council for Tertiary Education. This is an important starting point for new governance arrangements.

The intention of the Bradley recommendations is that tertiary education should be a continuum of tertiary skills provision, with better connections across the sectors resulting in stronger and clearer pathways between the VET and higher education sectors in both directions. However, given the variety of people's needs, the two sectors should remain distinct in their educational offerings and roles.

"Harmonised planning, advice about needs and coordination of delivery are what is needed – not the subsuming of one sector by the other"⁶ Skills Australia strongly agrees this is an essential foundation objective for future, better integrated governance arrangements. The VET sector has unique and distinctive features that should not be obscured in future governance.

The VET sector's chief focus continues to be the delivery of practical and applied skills underpinned by national standards set by industry. VET is intrinsically linked to the needs of business and industry, with competency standards, qualifications and assessment guidelines designed and endorsed by industry to meet their needs and able to be customised to suit specific enterprise contexts. Industry is woven into the fabric of the sector as evidenced by its role in developing Training Packages and delivery of structured work based training. In the VET sector, industry has led the development of workplace skill and qualification requirements from entry to para-professionals levels.

While Skills Australia recognises the need for higher education to become more tightly aligned with Australia's economic, employment and social policies as well as industry and workforce

6 Bradley, op cit p181

development, we see its functions as encompassing intellectual leadership and scholarship, research and inquiry, as well as vocational and generalist education. The pedagogy and nature of assessment in the two sectors is differentiated particularly in terms of VET's competency-based approach to practical, work based learning with enterprises as partners.

2.1.2 Improved participation

Skills Australia sees increased training participation, higher level skills and improved outcomes leading to employment by those from lower socio economic status (SES) groups as the most significant goal to be achieved through a more integrated tertiary education sector.

Skills Australia supports the targets proposed by the Bradley review, and supported by Government of 40% of 25-34 year olds attaining a bachelor qualification by 2025. It is also consistent with the COAG targets to halve the proportion of 20-64 year olds without qualifications at Certificate III level by 2020. As Bradley cogently argues, achievement of these targets will require measures to ensure higher participation by students from lower SES backgrounds.

Skills Australia adds that in order to create a fundamental shift, this also means translating increased participation in training into skills that are used in employment. This is where the vocational education and training sector's link to industry and enterprises plays a critical part.

Although the vocational education and training sector has a strong record on participation by traditionally under-represented groups compared to higher education, there is no room for complacency. The VET sector has a high wastage rate through course non completion and uneven participation in higher level programs by those from lower socio-economic groups⁷. Skills Australia is of the view that improved links between universities and other education institutions – particularly an improvement in credit and articulation arrangements is an important route for increased higher level skills by low SES groups and reduced sectoral and institutional stratification. The priority is for VET and higher education institutions to work collaboratively with the schools and families of young people from low SES groups, especially in regional Australia, to improve their aspirations and post school pathways so there is increased motivation and support to transition to further education. Realistically this improvement in aspirations and school performance, as the key to increased participation in higher education, is more likely to be achieved through arrangements that target schools and VET programs for students from these households.

Regional areas have tended to foster institutional cooperation. The collaboration between Charles Sturt University and TAFE NSW Riverina Institute is a highly regarded example. These are models that can be more widely and consistently applied and supported through new governance arrangements. We favour an approach of intensive collaboration and articulation between RTOs and higher education providers rather than imposed structural 'solutions'. Institutional mergers, either between universities, or VET – higher education institutions, unless adopted consensually, often have long lag times in producing greater effectiveness.

2.1.3 Industry leadership and system development

The international study commissioned by Skills Australia found that one of the strengths of Australia's VET system is employer and industry involvement, both formal and informal, at all levels. Compared to countries of similar VET system history, Australia *'does a better job of integrating and co-opting industry parties as partners. Much of the institutional apparatus in Australia has acquired legitimacy over time – industry advisory arrangements, the boards of state training authorities, enterprise RTOs'*⁸.

But there was a strong theme in submissions to Skills Australia that over recent years industry engagement in vocational education and training governance had been eroded, and there is a need

7 Wheelahan, L (2008) *What kind of access does VET provide to higher education for low SES students? Not a lot* <http://www.unisa.edu.au/hawkeinstitute/ncsehe/student-equity-forum-2009/Wheelahan-what-kind-of-access.pdf>

8 M Cully et al, op cit p 10

to restore a central role and authority for industry in guiding the strategic development and operation of the National Training System⁹.

The challenge for governance is to address how industry's interests are best represented to both the Commonwealth and State Ministers and through them to the new Ministerial Council.

We recognise the substantial reforms to the previously supply driven training system that have been achieved through industry leadership of and involvement in VET over the last 15 years.

Achieving ongoing up-skilling and increased training participation during the economic downturn and throughout the recovery will entail intensive efforts and national partnerships with industry and employers.

Skills Australia notes the governance model put forward in the Bradley Report represents Industry Skills Councils as the main source of industry advice. We alternatively argue a predominant and leading role is needed in all aspects of tertiary education governance for industry advice and expertise. This is essential to inform and influence national skills policy, strategy, planning, funding, regulation and quality, system reform and Ministerial decision making.

Our position and model recognises the significant role played by industry in informing and grounding the direction of changes in the tertiary sector to ensure the system is able to meet the challenges of the changing global economy and employment market. We see a role for strengthened, more coherent and more transparent industry linkages in system governance.

2.1.4 The role of governments

Vocational education and training is also a sector in which governments – both the States and the Commonwealth - will continue to co-invest together with industry as their major partner.

The Council of Australian Governments (COAG) has had a recent prominent role in driving the policy reform agenda for human capital development and particularly in the last year, establishing new intergovernmental financial arrangements. New resource arrangements reached in the National Agreement for Skills and Workforce Development in December 2008, are an intergovernmental commitment to collaboration and increased Australian, State and Territory governments' investment in higher skills levels for all Australians. An ongoing role for COAG in the skills policy governance is, however, not envisaged, as the operational means for tertiary sector reform become enabled through a new Ministerial Council.

Skills Australia acknowledges States will have an ongoing and legitimate interest in using education and training as a key part of their specific economic and social development strategies, funding and utilising a robust public TAFE sector and diverse private VET providers in response to regional and local skill challenges.

For the time being, the States and Territories are likely to remain an underpinning feature for the national governance of an integrated tertiary sector.

Thus the model for new tertiary education sector governance arrangements proposed by Skills Australia recognises States' joint leadership of policy and their principal funding role for vocational education and training, while acknowledging opportunities for inter-sectoral co-ordination. Market design in the VET sector at this stage will require the co-operation of States and Territories to achieve strategic outcomes.

⁹ Group Training Australia submission: "We have been talking about an industry-led system for a very long time now and yet we still do not seem to feel that we have one". National Farmers Federation submission: "Even bodies that industry has strong engagement with ...have also been disempowered not just in the Ministerial decision making processes but with COAG taking greater leadership in VET, (they) are not involved whatsoever in shaping or guiding the training system evolution".

2.1.5 The nature of investment

Our consultations have emphasised the importance of governments', employers' and individuals' investment being directed to ensure increased access to tertiary education and effective outcomes. That is, knowledge that can be translated to economic benefit through jobs, innovation and productivity. The ability to prioritise and target to meet regional and local needs was also recognised as important.

A more robust evidence base and coordinated advice from industry and jurisdictions needs to inform the best combination of public and private investments. This is critical to inform national and state investment decisions. In many respects, our knowledge base of total investment in skills, and the drivers of that investment is poor.

Considering the distinctive nature of the VET sector's links with industry and the shared responsibilities between the States and the Australian Government for ensuring the nation has the skill base it requires, Skills Australia does not support an unrestricted entitlement model for vocational education and training, at least not for the foreseeable future. We see use of an entitlement can be most effective when based on sound evidence of emerging workforce development and skills needs of the economy developed after consideration of industry derived analysis. At this point, Skills Australia supports a planned provision based on a managed market, which allows vocational education and training to be aligned with economic development needs. We see such a model can provide for consumer led training, but should ensure the direction and distribution of activity is aligned closely to community and industry needs rather than an open ended entitlement approach.

Within this framework, Skills Australia sees continuing reform of the training market as essential, including changes to increase consumer choice, more public information about provider performance and outcomes and strengthened purchasing arrangements to provide for an increase in the proportion of contestable funding among high quality providers of training.

Detailed management of the training market is seen as best devolved to States who take on the predominant role of purchasers of publicly funded places under the new National Agreement. It is their role to determine resource allocation within the State/Territory and to ensure the effective operation and expansion of the trainers market, according to the regional market characteristics within the State/Territory, and that public funds are only accessed by quality providers.

This expansion would be conditional on stronger safe-guards being in place to ensure the quality of training, equity of access, and additional funding to the public provider to meet its core responsibilities, particularly in thin markets.

2.1.6 More consistency and streamlined national regulation

Our consultations confirmed views that the Australian National Training System (NTS) functions well, is highly regarded and achieves good outcomes in terms of jobs for graduates, student and employer satisfaction. However, stakeholder discussions, submissions and research acknowledge the complexity of our system and the need to streamline, coordinate, and decongest its governance. NCVER country comparison research notes that an aspect of Australia's governance arrangements that causes additional complexity is jurisdictional differences in regulation and quality enforcement.¹⁰

The Bradley Review recommendations outline a significantly streamlined and simplified governance arrangement for the NTS and higher education, and propose a model for a single national regulator across the tertiary sector. The model is premised on a national funding approach to tertiary education, where the functions of governance largely are based around regulation of quality and facilitating information on provider performance and choice to the market place.

¹⁰ M Cully et al, op cit p9

Simplified and more consistent national regulatory arrangements for VET and 'linked –up' relationships with statutory and stakeholder bodies are in keeping with feedback to Skills Australia. We support a coordinated national approach to regulation. However, the single regulator model as suggested by Bradley may need to evolve over several stages.

We propose an initial stage of two separate national regulatory bodies – one for higher education and one for VET, working together to establish and align consistent national frameworks for each sector to be achieved in the first year of operation. We expect when this architecture is sufficiently robust these bodies should merge. We also see there is a natural relationship for the functions of the Australian Qualifications Framework Council within this integrated statutory arrangement.

The priority for more consistent sectoral relationships, system architecture and regulation should be guaranteed articulation so individuals with VET qualifications can transfer seamlessly to higher education. The Board endorses the essential work of the Australian Qualifications Framework Council to establish parity and greater national consistency between university and VET sector qualifications and mechanisms for competency-based and merit-based systems to more readily inter-relate, for the benefit of students.

3. Leading a unified vision for skills to support a national economy

Key points in this section:

- A more integrated tertiary education sector governance is supported with the proviso that:
 - appropriate underpinning arrangements are established to support the distinctive characteristics and mission of the National Training System
 - there is a clear role for industry in new governance arrangements
- An integrated tertiary education sector can start in a gradual way at the strategic level through the overarching governance of the Ministerial Council and through a unified policy, planning and regulatory framework
- Industry must shape strategic skills policy, planning and reform, influence funding of skills priorities and lead quality and standards
- Greater coherence and transparency of industry leadership is emphasised through a proposed governance arrangements model

3.1 More integrated tertiary sector governance

In November 2008, the Ministers for Vocational Education and Training (MCVTE) agreed to seek COAG approval for an expanded Ministerial Council, in which all post-school education and employment issues would be considered by one Ministerial Council. This recommendation was also supported by the Bradley Review which also proposed that the Australian government take responsibility for the funding of all tertiary education.

There was some disagreement among stakeholders¹¹ submissions to Skills Australia regarding the establishment of a more integrated tertiary sector overseen by Ministerial Council responsible for all post-school education. On balance, Skills Australia supports this direction with the proviso that:

- appropriate underpinning governance arrangements are established to support the distinctive characteristics and mission of the National Training System
- there is a clear role for industry in new governance arrangements and key functions

Skills Australia supports more integrated and cohesive strategic development and decision making for VET, higher education and employment policy, being lead by a realigned Ministerial Council.

We believe there is great synergy in combining the focus on employment and lifelong learning to emphasise the national focus on higher level skills, workforce participation and productivity. The new Ministerial Council arrangement needs to be supported in its decision-making by industry.

We also propose an integrated tertiary sector can start in a gradual way at the strategic level through the overarching governance of the Ministerial Council and through a more unified policy, planning and regulatory framework.

¹¹ The submission from ACPET, for instance, supports the establishment of a single Australian system for higher education and VET with an integrated continuum of functions, qualifications and providers, and streamlined administration. Contrasting views came from ACCI, MBA and QRC among others.

Meshing industry engagement and leadership in tertiary education governance is a feature of Skills Australia's proposed model at both the strategic and local levels. To meet this challenge requires a strengthened collective national vision for workforce development. This entails a renewed policy compact with industry, national standards and co-ordinated approaches across jurisdictions. Within this overarching policy framework individual providers should then have sufficient autonomy so that they can build partnerships with individual enterprises to develop the capabilities of the enterprise's workforce and to ensure that those capabilities are fully used. Industry engagement in this way at the point of training delivery will both ensure the relevance of training to the firm and strengthen the role of industry leadership nationally.

3.2 Industry's role in leading the National Training System

Industry leadership of the system is most likely to occur when industry is in a position to influence the direction of planning and funding of skills priorities, contribute to strategic policy and shape reform, and lead quality and standards¹².

A number of submissions to Skills Australia believed the role of industry in governance can be strengthened, and has been overshadowed in recent times by intergovernmental policy priorities. Some submissions indicated there is inadequate high level representation by industry, particularly through industry associations in national VET decision making¹³. An enhanced role for industry was also envisaged as part of an improved governance model, particularly for a stronger role for industry in skill planning and purchasing decisions.

Skills Australia's model for tertiary education governance and support of the NTS is distinguished from the model expressed in the 2008 Australian Higher Education Review by three core functions where industry leadership and advice is seen to be essential and needs to be engaged:

- planning for workforce development and skills investment advice for the whole economy – from the least skilled to most skilled jobs
- Strategic policy advice on NTS reform and directions for change
- Quality and regulation.

Further elaboration of the proposed arrangements is provided in the sections below.

3.2.1 Planning for investment in skills and workforce development

The Australian Government's investment in the education and skills 'revolution'¹⁴ as well as the boost from economic stimulus packages¹⁵ has heightened interest in a robust evidence base for prioritising and directing significant investment to areas of high demand and to drive and stimulate long term outcomes.

We suggest it is desirable for planning and investment frameworks for the outcomes of the tertiary system to be set as a whole. This might occur through integrated planning of all public funds, collaborating with all State and Territory skills authorities, industry skills councils and jurisdictions, validating decisions on industry and employer evidence advice using leading edge forecasts to support strategic investment decisions.

The OECD¹⁶ has been critical of systems that extensively plan provision based on skills forecasts and essentially sees the purpose of workforce planning as improved labour market intelligence so that students and trainees make more informed decisions. However, past experience and data suggest that simply offering places does not necessarily result in skills being taken up or used in

12 Australian Chamber of Commerce and Industry submission

13 Housing Industry Association submission

14 Australian Labor party (2007) *Skilling Australia for the Future; A Digital Education Revolution*, Election 2007 Policy documents

15 Prime Minister of Australia's release of \$10.4 billion Economic Security Strategy, October 2008 and \$42 billion Nation Building and Jobs Plan, February 2009

16 K, Hoeckel et al (2008) *Learning for Jobs– OECD reviews of VET Australia*, Organisation for Economic Co-operation and Development

areas of need¹⁷. Skills Australia believes governments and industry have an overarching interest in ensuring against under or over supply of particular qualifications.

However, planning should add value in anticipating and preparing for global directions, not micro-managing the specifics of demand or supply for all occupations. Efforts should concentrate on selected occupations where there is good intelligence, the supply is critical, lead times are long or where infrastructure investment may be required¹⁸.

This task is of strategic importance, and different in nature from industry advice and leadership on tertiary regulation of quality and standards. Skills Australia has been requested by the Deputy Prime Minister¹⁹ to play a leadership role and to take a holistic approach to advising on Australia's labour market requirements and the effectiveness of both higher education and VET systems in meeting our skill needs. Liaison with higher education representative bodies will also be important in fulfilling this role.

3.2.2 Strategic policy and reform

Vision and direction setting for an integrated tertiary sector is not a task for governments alone.

Achieving the skills and participation targets set by COAG and proposed by Bradley, will require fundamental changes in enterprise culture and investments, as well as greater responsiveness from tertiary providers – *'Dynamic changes in structures, processes, opportunities, relationships, and mindsets will need to be the drivers of change'*²⁰. Industry will need to be engaged on the ground floor to drive these developments.

A new advisory model needs to be forged to address industry engagement across the whole post compulsory and employment terrain.

There is a stark absence of reference to industry advisory mechanisms most essentially for VET, and for higher education, within the higher education review. While institutional higher education governance arrangements provide for industry representation and leadership at the local level, there is no single 'entry point' for industry to influence the higher education system at the strategic level. This contrasts to the VET sector's direct and dynamic engagement with industry and enterprises at both strategic and operational level. However, the linkages and lines of leadership for industry within the NTS are currently complex and lack clarity in terms of their support for specific functions.

As skill demands and their impact across the tertiary sector are volatile, a comprehensive capacity for industry advice will be important for the sector's effective response to future directions.

A significant number of stakeholders also commented on the importance of designing a system which not only reflects the views of national industry associations and big business, but also represents groups of micro, small, and medium sized businesses. Stakeholders in this group highlighted the importance of industry representation at the national level being accompanied by broader consultation to ensure accurate representation of employer views. It was argued it is most important to encourage a system that interacts with firms of all sizes, including clusters and supply chains, to stimulate and support workforce development. Demand for skills is directly influenced by business imperatives and perceptions at the enterprise level, so the governance system needs to be designed around this objective²¹.

17 The 2008 student outcomes survey by NCVET shows only 30% of graduates were employed in the same occupation group as their training course <http://www.ncver.edu.au/statistics/surveys/sos08/sos08.pdf>. T Karmel et al (2008) also reports there is significant mismatch between VET study and employment with most graduates not ending up in jobs where the training is relevant. *Is VET vocational? The relevance of training to the occupations of vocational education and training graduates*, NCVET <http://www.ncver.edu.au/statistics/surveys/publications/sp05060.pdf>

18 P Lewis (2008) *The Labour Market, Skills Demand and Skills Formation Occasional Paper 6/2008*, Skills Australia and The Academy of the Social Sciences in Australia, Canberra, page 7 <http://www.assa.edu.au/Publications/OP/op62008.pdf>

19 The Hon Julia Gillard MP Speech, Big Skills Conference Sydney 5 March 2009

20 The Business Higher Education Roundtable submission to the Bradley Review p3 "The failure of the business community in general to actively engage in meaningful dialogue with the higher education sector in this country is inexcusable".

21 For instance see TAFE NSW, North Coast Institute submission. This point is also reinforced in the report by Phillips KPA (2006) *Knowledge Transfer and Australian Universities and Publicly Funded Research Agencies*, Canberra, DEST

The overall responsiveness of the system to individuals, and individual enterprises, it was argued, will be dependent on the interaction between input at the strategic level matched with flexible and responsive funding for service delivery arrangements. Skills Australia sees that more transparent mechanisms for integrating and linking up industry advice on system reform and responsiveness are important for its future development and effectiveness.

3.2.3 Quality and regulation

National Training System quality and regulation has specific and unique industry leadership requirements that need to be addressed. These arise particularly in relation to the development and design of Training Packages, work based learning and assessment and overseeing the regulation of over 4,000 providers, their scope of registration and the delivery of training to industry quality standards.

Skills Australia supports independent industry leadership of a national approach to regulation of VET to progress more streamlined and integrated approaches to quality standards, content of training products and to ensure the National Training System achieves excellence, consistency, relevance and responsiveness of services and the confidence of users.

At this point a single national regulatory model for both VET and higher education is not timely, but should be an objective for the longer term as the governance platform for a more integrated tertiary sector is realised. From a practical perspective, achieving a stable national model of regulation for each sector should be a priority. This is discussed further in section 6.2.

We also advise that a national regulatory body for vocational education and training should not be seen as the 'panacea' to all the issues relating to quality in the system – other responses also need to be adopted, particularly in an environment of increased funding competition. These are discussed further in the section below.

3.3 A proposed way forward

The model proposed below for more integrated tertiary education sector leadership, embeds a stronger industry evidence and advisory base for the sector's development. It describes:

- more formalised and coherent channels of communication of industry stakeholder advice on workforce development between national and jurisdictional advisory arrangements through State Training Authorities, Industry Skills Councils and Skills Australia
- arrangements for Ministerial Council to hear directly of the common national concerns of employers and peak industry representatives, through a proposed Peak Industry Advisory Group
- the functions of Skills Australia in providing advice and recommendations on strategic policy, planning skills requirements for the whole economy, priorities for national skills investment decisions and tertiary sector effectiveness, and
- establishment of a national statutory body of independent experts for VET regulation, reporting to Ministerial Council. This would be initially separate from that for higher education which would report to the Commonwealth Minister.

This model has a number of implications for current bodies and would require supporting legislation, in the case of establishment of a national VET regulator.

In establishing reinvigorated national industry advisory relationships with governments, there is the opportunity to streamline, strengthen and make more transparent the key advisory functions industry provides to governments and the relationship between national and state bodies.

Stakeholders generally supported the model of industry engagement being implemented under the *Skilling Australia for the Future* policy, agreeing that the ISCs and state and territory industry advisory bodies provided critical conduits for industry's voice in the new environment. Skills Australia proposes new advisory arrangements and functional links between these bodies and Skills Australia, as outlined in the diagram below, provide a comprehensive source of expert advice to all governments on matters relating to policy, planning and investment for the post secondary sector. A co-ordinated nation-wide network of strategic industry advice and evidence from State and Territory training agencies, Industry Skills Councils, national peak industry groups and Skills Australia is envisaged as a strong platform for informing the tertiary education sector's development.

Skills Australia proposes establishment of a Peak Industry Advisory Group with membership drawn from peak employer and employee representative associations to meet biannually with Ministerial Council. The importance of employer and employee representatives having communications with all Governments on strategic issues of common concern is recognised. Peak industry bodies should have the opportunity to raise with Ministers their concerns in relation to more effective industry participation in skills development, uptake of training and embedding utilisation of skills as part of Australia's productive and innovative potential.

Strong linkages, liaison and collaboration between the Group and Skills Australia is expected. Joint sessions with Ministerial Council may be relevant from time to time.

As noted above, Skills Australia's has recently been given an expanded mandate by the Deputy Prime Minister in relation to skills across the whole economy and the effectiveness of the tertiary sector in delivering the nation's requirements. This builds on the role outlined in *Skilling Australia for the Future* for Skills Australia 'to provide the Australian Government with advice that reflects the needs of industry to help ensure that training... is delivered in a way that responds to those needs'²².

A strong engagement with industry is central to the Board achieving this function. Skills Australia has been developing its role in providing expert advice on skills needs via more formalised relationships with Industry Skills Councils, State Training Authorities and other peak industry and expert sources. This has been progressed through a series of Memoranda of Understanding with these bodies, as well as a Strategic Industry Forum²³.

Skills Australia sees itself acting as a catalyst to facilitate the channelling of comprehensive industry evidence to all governments on the future workforce and prioritisation of funding allocations in relation to total public investment in Australia's skill needs. It does not however have a direct relationship to Ministerial Council, but envisages this would occur through the Commonwealth Minister.

In relation to VET and higher education regulation, we see initially separate specialist national regulatory bodies being established. They would both report to Ministerial Council. They would work together to align consistent national frameworks for each sector. The statutory VET regulatory body, would comprise independent experts and be responsible for NTS quality, regulation and dissemination of provider performance information. Functions managed through the Ministerial Council, TVET, would be absorbed under this new body. We see an important future role for the National Centre for Vocational Education Research (NCVER) working closely with the national VET regulator in developing consumer focused information on system and provider performance. NCVER would also support Skills Australia with the evidence from research on tertiary sector effectiveness.

The priority for more integrated national tertiary sector regulation should be guaranteed articulation so individuals with VET qualifications can transfer seamlessly to higher education. Over time, once this architecture is robust it is expected these bodies should merge. See section 6 for more detailed discussion of regulation and quality proposals.

22 Australian Government (2008) *Skilling Australia for the Future- Discussion Paper*. The Australian Labor Party 2007 election policy statement (page 12) and the second reading speech for the establishment of Skills Australia (page 3) stated it would "bring together information (assess evidence) from commissioned research and industry stakeholders to inform Australia's workforce development needs".

23 Communiqué and working paper for the Strategic Industry Forum, 20 February can be found at: http://www.skillsaustralia.gov.au/Publications_and_Resources/Skills_Australia_public_papers.htm#Industry_Skills_Forum

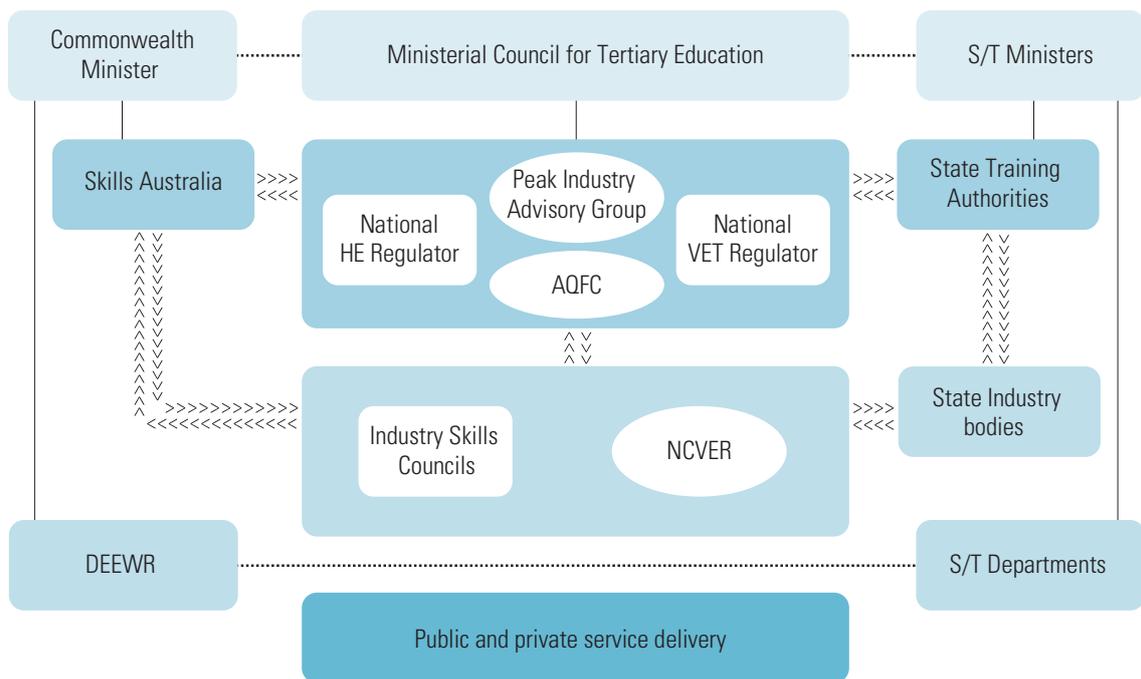
3.4 Recommendations

It is recommended that:

- i. the Council of Australian Governments establishes a realigned Ministerial Council for Tertiary Education for training, higher education and employment participation
- ii. the Ministerial Council for Tertiary Education formalises new arrangements for industry advice as a central feature of the governance framework including:
 - establishment of a Peak Industry Advisory Group of employer and employee representatives to meet biannually with Ministerial Council to represent their views on ways to promote skill development and utilisation
 - independent evidence and advice on strategic policy, planning and investment decisions for the tertiary education sector drawn from a national network of industry advice and co-ordinated through Skills Australia.
- iii. Australian Governments agree to establish national statutory arrangements for VET regulation and quality led by an independent board with the expectation that over time these regulatory arrangements align and eventually integrate with those for higher education.

The key features of the national advisory arrangements for the NTS and a more integrated tertiary education system are described in the following model:

Proposed governance model for Australian tertiary education



>>>> Functional Connection — Direct Reporting Intergovernmental

4. Providing the evidence base for policy and reform

Key points in this section:

- An improved and better co-ordinated planning capacity is a necessary requirement for articulating a policy vision and evidence based reform and for assessing outcomes
- The development of a more comprehensive evidence and advisory base for skills planning, system reform and investment decisions can be strengthened by a more formalised national network and linkages between state and national skills planning and industry advisory bodies and Skills Australia
- The tertiary education sector must move beyond a skills planning paradigm and progress planning for workforce development in order to influence the uptake and use of skills in the workplace.

4.1 Governance needs for effective skills planning, policy and investment

There are compelling reasons for government and industry undertaking planning and analysis functions focused on the development of human capital. We know the demographic factors and fiscal impacts of the ageing workforce remain a long term issue²⁴ as well as the traps of low value/ low skill methods of production.²⁵ Skills Australia is of the view that a planning capacity is a sensible and necessary requirement for articulating a policy vision and evidence based reform and for assessing their outcomes. Lessons from past recessions are that those firms that adopt innovative solutions and use the downturn to train their workforce are in a stronger position and reap the benefits of the recovery.²⁶ Influencing these behaviours on sound advice is essential.

But we also recognise that an over reliance on planning or targets can obscure or limit policy responsiveness to the dynamic changes that can occur in the economy and labour market.

Discussions held at the joint Skills Australia - Academy of Social Science Australia seminar²⁷ confirmed most occupations do not demand highly specific qualifications, and the labour market adjusts fairly quickly to fluctuations in demand. However, policy and resourcing decisions can be better informed by high quality analysis of expected skills demands for those skills that take a long time to learn and to gear up to teach, especially where these skills are critical to future production and services.

As noted earlier, Skills Australia proposes that the specialist planning and policy advising functions should be separate from responsibility for NTS regulatory functions.

Submissions to Skills Australia expressed strong endorsement of the proposal to create stronger, more formal advisory relationships with industry to ensure comprehensive and coherent advice on skills planning is based on clear roles and lines of communication. The proposal in the Skills Australia Discussion Paper for coordinated and integrated national planning of total training effort, based on

24 Australian Government, *Inter Generational Report 2007*, Canberra, Treasury ,<http://www.treasury.gov.au/igr/IGR2007.asp>

25 Cabinet Office Performance and Innovation Unit, (2001) *In Demand – Adult skills in the 21st century* London, Cabinet Office.

26 Wayne F Cascio (2002) *Responsible Restructuring*, San Francisco, Berrett-Koehler Publishers

27 Phil Lewis op cit , p8

input from states and territories and Industry Skills Councils, was well received. It was agreed that galvanising these relationships would better reflect industry as a key driver of the system.

Skills Australia has subsequently developed draft Memoranda of Understanding (MOUs) which are in the process of being formalised with State Training Authorities and Industry Skills Councils. These agreements outline roles and responsibilities and protocols for information sharing, co-ordination and communication. The governance model reflects these new agreements and communication lines.

At present the synergy between Industry Skills Councils (ISC) and their counter-part state-based advisory bodies, where they exist, varies. Industry coverage varies across jurisdictions and some states do not fund state-based industry advisory bodies per se. There is no direct congruence between the eleven ISCs and the industry advisory bodies in the five states that do fund such bodies. Some ISCs have formal and very well established partnerships and networks with their state counter part organisations - others don't. In some cases, formal MOUs are in place between ISCs and their state-based counterparts; others fund their state-based colleagues to do specific work related to environmental scans or training package development.

The level of funding naturally impacts on the scope of the relationships these bodies may have with ISCs, as does history and culture of the organisation within the industry. Generally the relationship between ISCs and state level industry bodies is largely left to the industry to determine. The Australian Government has not specified how they should work together - but it encourages relationships to be developed.

Skills Australia believes it is important for clearer protocols and linkages between ISCs and ITABs to be established to further collaboration. This can improve partnering, drawing on intelligence from each other and promoting good practice.

Buchanan (unpublished paper for Skills Australia²⁸) notes ISC structures – (their consultative arrangements, reference groups, stakeholder coverage) - are not necessarily constituted to deal with all skills planning and policy questions for industry. Such forums and groups are not always able to produce robust comprehensive contextual data for the purpose of policy making. In moving forward, Buchanan is of the view that there is need to improve the skills and processes across ISCs and between ISCs and state-based bodies used to gather intelligence on the dynamics of workforce development and changing skill requirements in their areas of coverage.

4.2 System architecture implications

Stakeholders have recognised the diversity of industry advisory arrangements across states and territories and industry, including their varying levels of capacity, effectiveness and rigour.

At present there is no comprehensive planning framework which relates state or ISC derived industry data and intelligence to 'top - down' economic forecasts or modelling. Nor is there an agreed approach about how to best incorporate and utilise the rich qualitative industry advice available through industry employer surveys or stakeholder consultations in a comprehensive framework. Tools that might be utilised or further developed for application across states or across industry need to be identified and developed. Skills Australia has progressed this co-ordination and development through a series of workshops, forums and commissioned work²⁹.

Planning frameworks need to be sophisticated and at the same time supple – with sufficient adaptive capacity in their components. This point is borne home by the rapidly changing events that have occurred in the latter part of 2008 with the global economic downturn. In the short period that Skills Australia has been functioning, the workforce development debate has shifted from policy responses to skills shortages to counteracting the risks of unemployment.

28 Workforce Research Centre, Sydney University *Workshop - Developing a national approach to workforce planning*, 8 December 2008, Skills Australia unpublished paper

29 Workforce Research Centre, *ibid*

Skills Australia's ambition is for the tertiary sector to move beyond a skills planning paradigm and to progress planning for workforce development. This means a shift of emphasis in planning from estimates of the likely numbers of different types of workers needed in particular industries, occupations and regions towards a mechanism to interpret the forces and settings that will influence the uptake and use of skills in the workplace.

Planning involves not only good quality information – both top down and bottom up. The challenge is to blend the two, work out the level of detail needed and to do reality tests with employers, providers and governments on the projections being made and ensure that the planning is indeed forward looking. The NCVET country comparison suggests *'rather than attempting to forecast, with all the attendant errors in over- or under-estimating the true outcomes, it is preferable to have effective systems for rapidly identifying emerging trends and for responding to them'*.³⁰

But moving forward requires more than better quality information and analyses concerning the current situation and improved co-ordination across those involved. There is a pressing need for sensible scenarios of how labour is likely to evolve in the future. Such scenarios must include consideration of skills planning for a low carbon or green economy and the impact this will have on industries such as building and construction, transport, agriculture and food, energy and manufacturing. Many industries will transform, jobs will change, new industries will emerge as developments in science and technology lead to innovation and new commercial outcomes. Developments on the horizon are all important considerations for planning for workforce development for the next five years.

Skills Australia agrees with a scenario planning model that provides for policy intervention measures which align with the changing conditions over time. This will be a feature of the planning work Skills Australia's will lead in the area of workforce development, to be realised in National Workforce Development Strategy, and implemented through a strong national network of industry partners and collaborators.

4.3 Recommendations

It is recommended that:

- iv. a nation-wide network of skills planning and industry advisory arrangements be formalised in the new governance framework. This network will reflect the relationship between Industry Skills Councils, their state counterparts, and state training authorities. The network will provide the evidence and advisory base through Skills Australia to Ministerial Council for skills planning and investment decisions.

30 M Cully et al op cit, p32

5. Investing wisely and effectively in skills and workforce development

Key points in this section

- Investment in skills and purchasing of training should be informed by comprehensive evidence, industry need and a clear framework and strategy for effective use of public and private funds. The development of such a framework should be a priority for Governments
- Vocational education and training is a sector in which three parties - the Australia government, the States and industry will continue to co-invest and a collaborative approach is needed to maximise the effectiveness of this investment
- Reform and expansion of the training market should occur but needs to reinforce, not compromise, the development and use of deeper and broader skills, quality outcomes and equity of access particularly in regional and remote Australia
- A managed market approach, in which States and Territories purchase skill outcomes based on economic and workforce development needs, is important for the immediate future to address Australia's skill priorities
- Extension of contestability in the National Training System must be accompanied by appropriate regulatory reform to ensure the effective functioning of a national market, and most importantly, to underpin the training market's capacity to deliver on the strategic and qualitative outcomes

5.1 Investment roles and governance

A critical objective for National Training System governance is ensuring appropriate investment of funds underpin Governments' aspirations for the increase in the skill base of the Australian population.

New National Training System resource arrangements reached in the National Skills and Workforce Development Agreement in December 2008, are a commitment to collaboration and increased Australian, State and Territory governments' investment in higher skills levels for all Australians. The National Agreement is a schedule to the reformed Intergovernmental Agreement on Federal Financial Relations, aimed at underpinning new policy commitments through simpler funding arrangements and clearer accountability for outcomes.

The principles³¹ of the National Agreement for Skills and Workforce Development also acknowledge:

- Investment in skills is a joint responsibility between Governments, individuals, businesses and industry, and
- Total investment in skills is sufficient to meet labour market need.

With this new Agreement comes the need to secure the advice of industry partners on the strategic direction of resourcing policy, to ensure sufficient levels of investment and that it is used effectively. Sections 3 and 4 have emphasised the centrality of industry advice to Ministerial Council for Tertiary Education decision making and a unified vision for the tertiary sector.

³¹ National Agreement for Skills and Workforce Development, page 8 http://www.coag.gov.au/intergov_agreements/federal_financial_relations/docs/IGA_FFR_ScheduleF_National_Skills_and_Workforce_Development_National_Agreement.pdf

Skills Australia sees a priority will be to secure industry engagement on the development of an effective public and private investment framework for the National Training System and its utilisation to secure longer term outcomes from skills investment. Industry engagement in investment decisions is important in ensuring training responds to industry and individual need and delivers more complex outcomes, most particularly the use of skills at work and more productive enterprise practices.

Skills Australia recognises that States and Territories maintain the prerogative in the type of leverage they wish to exercise with their investment and how they expand their particular markets.

They take a managed approach to their VET markets, regulating the flow of public funds to strategic purchasing priorities using local regional planning and market intelligence to meet labour market and consumer demands. This is appropriate and will continue to be the case for the major part of VET delivery into the future, however the needs of industry will need to be more directly applied to States' purchasing decisions and reflected in their investment, governance arrangements and methodology.

A distinguishing feature of States' and Territories' investment function is their funding of the public TAFE system. TAFE institutions provide extensive local and regional capacity for community based responses to skill development, particularly as an avenue for access and participation. Skills Australia acknowledges States' requirements for ongoing investment in their public TAFE networks together with a diverse, high quality private provider market. The TAFE system will remain a distinct and valuable agency for addressing industry, workforce and regional development priorities and state community service obligations, enabling widespread and co-ordinated engagement with employers and communities.

5.2 System architecture implications

Skills Australia's model for effective governance and architecture for skills investment is guided by several underpinning proposals which are further developed in this section:

- investment in skills and purchasing of training should be informed by industry need and a clear framework and strategy for effective use of public and private funds
- vocational education and training is a sector in which three principal parties - the Australia government, the States and industry will continue to co-invest and a collaborative approach is needed to maximise the effectiveness of this investment
- reform and expansion of the training market should occur but needs to reinforce, not compromise, the development and use of deeper and broader skills, quality outcomes and equity of access particularly in regional and remote Australia
- a planned provision, based on a managed market approach, which allows VET to be aligned with economic development and workforce development needs, is important for the immediate future to address Australia's skill priorities, especially to build a stronger skills base for the economic recovery.

5.2.1 A more coherent national investment framework

Skills Australia believes that a comprehensive evidence base for a national skills investment framework is currently underdeveloped. The starting point for this is a clearer definition of the roles and better understanding of the respective contributions of each 'investor' in training – that is governments, employers and individuals.

An important role for industry will be to work with the Australian and state governments to advise on future investment strategies to maximise the effective use of government and private expenditure by employers and individuals on skills.

Australia's total public spending on education is calculated at 4.8 percent of GDP³². Employers' private investment also contributes substantially to training³³ and is generally understood to at least match that of governments. However, analysis by Smith et al (2008) notes the nature and amount of employer investment is poorly measured and understood. Their research finds although employers make considerable investments in training, reliable data on this is difficult to collate because of the variability of approaches taken, insufficient or inconsistent record keeping, particularly in relation to non - capturing of informal, non accredited training.³⁴

It is difficult to articulate the definitive functions for industry and government partners in VET sector investment at the national level, and indeed at the local level, when the characteristics, complexity and quantity of private investment - as well as the returns on that investment - are not well understood. Individual investment is also a substantial factor in the total picture, particularly in the higher education sector, and in higher level vocational education sector qualifications where these are offered commercially. This investment needs to be factored into any future investment scenarios.

Informed investment decisions depend on more consistent and comprehensive quantitative and qualitative data on employer behaviours and motivations in relation to training in different sized businesses and across industries and occupations. The issue of incentives, levies, taxation approaches all have wide-ranging implications for the wider economy. They also have many layers of complexity which need to be grounded in understanding of what happens at the enterprise level. Research by Noonan and others³⁵ emphasise the importance of largely unacknowledged employer contributions to firm specific skills and informal workplace learning.

Furthermore, an investment framework and strategies which more clearly specify the principles and future trajectory for both public and private investment beyond the life of the latest intergovernmental agreement need to be forged. The development of the training market and market design features also need to be more widely considered in this context.

It is also important to understand the ongoing role and rationale of government expenditure through employer incentives or other leveraging activities from the enterprise perspective. Within a contemporary workforce development approach to enterprise based learning, worksites and business objectives will be highly individualised, and a wide-ranging suite of skilling and investment approaches may need to be adopted.

In her second reading speech establishing Skills Australia, the Deputy Prime Minister outlined Skills Australia's core role as driving *'ongoing reforms to the education and training sector, including on priorities for the investment of public funds'* to ensure *'investment is targeted to where it is really needed and that the results of this investment are in line with what industry is demanding'*³⁶. A priority for Skills Australia is development and analysis of the information base on which to outline a more holistic investment framework for skills and workforce development.

32 OECD (2007) *Education at a Glance 2007*. This is below the OECD average (5.4 percent) and below the Scandinavian countries, France, New Zealand, the UK and the USA

33 The last national survey of employer training expenditure for 2001-02 found that employers in Australia spent \$4,000 million on structured training, with government subsidies or other offsets covering less than \$400 million, leaving a net expenditure of nearly \$3,700 million excluding wages and salaries of employees while they are undertaking their training (ABS 2003). This compares with the level of government expenditure at the time. It also excludes expenditure on informal / unaccredited training. Burke, G & Noonan, P (2008) *Financing Vocational Education and Training in Australia: Present and Future* Paper European Centre for the Development of Vocational Training CEDEFOP Agora Conference amended November 2008 CEET, Faculty of Education, Monash University <http://www.education.monash.edu.au/centres/ceet/docs/conferencepapers/2008burkenoonannov08.pdf>

34 A Smith et al (2008) *Approaches to measuring and understanding employer training expenditure*, NCVET

35 P Noonan (2007) *Skilling the Existing Workforce An Australian Industry Group Project* http://pdf.aigroup.asn.au/education_and_training/skilling_workforce_report.pdf; G Mawer & S Jackson (2005) *Training of Existing Workers Issues Incentives and Models* NCVET <http://www.ncver.edu.au/research/proj/nr3017.pdf>; S Richardson (2004) *Employers' contribution to training*, NCVET <http://www.ncver.edu.au/research/proj/nr1005.pdf>

36 The Hon Julia Gillard MP, Second Reading Speech, *Skills Australia Bill 2008*, 14 February 2008

5.2.2 Recommendation

It is recommended that:

- v. Australian Governments develop an investment framework for the tertiary sector to optimise the effective use of public and private expenditure on skills, which plans for and ensures this investment meets national priorities. This framework should be based on more comprehensive and consistent data on the scale and nature of employers' expenditure on training.

5.2.3 Reframing the focus on market design

Following the November Ministerial Council, the proposed National Partnership Agreement on Market Reform for VET was paused to enable stakeholder input on a way forward. Skills Australia was requested by the Minister to facilitate this broader consultation on the development of the approach to market design. We have considered this policy issue as part of our deliberations on governance functions, recognising that training market policy is integrally aligned to matters of quality, consumer protection and information. It should also include planning for the outcomes the system aims to achieve and who has accountability for these outcomes.

Skills Australia acknowledges the importance of competition in creating diversity in services, creativity and culture change in delivery. It has been important in placing the client at the centre of service design and improving choice.

We see market reforms should reinforce, not work against, the national objectives for the utilisation of deeper and broader skills in the Australian workforce and more productive performance by Australian enterprises and training providers.

Workforce development partnerships and the more productive use of skills can be encouraged through redesign of training market relationships, where there is genuine engagement between employers and RTOs. The Board concludes this strategic purpose must be reflected in a reframing of training market design.

International comparison suggests there is no 'best model' to adopt in terms of how other countries use the market to plan and steer skills development. A country's skill development system is historically derived and influenced by social and political contexts, and hence lessons are not easily generalised to Australia.

However, virtually all countries have some form of government intervention in their skills development systems, frequently in conjunction with industry partners.³⁷ Keating describes these mechanisms as – state regulated, such as those used in Singapore, Malaysia or China; social partnerships as largely adopted in Europe where central and regional agreements between industry, unions and government influence the programs provided by training providers; and market led, where direct interventions are minimal, and which are more generally evident in the United Kingdom and the USA. Recent developments in England have moved towards 'intelligent procurement' or 'commissioning' through principles that allow for consultation with providers as well as users when looking at the need, design and purchasing of the service. The Learning and Skills Council's Commissioning Strategy for 2009/10 blends open and competitive purchasing of services with the principle of encouraging a quality, high performing and stable provider base through longer terms contracts.³⁸

Demand led, contestable approaches to funding of training have been part of the Australian and international experience for some time. Lessons have been learned in that period, especially from the early experiences in several States of the introduction of user choice for traineeships and

37 Jack Keating (2008) *Matching supply of and demand for skills: International perspectives* NCVER
http://www.ncver.edu.au/research/proj/nr04022_pubs/nr04022_7.pdf

38 See UK Cabinet Office: National Programme for Third Sector Commissioning
http://www.cabinetoffice.gov.uk/third_sector/public_services/commissioning.aspx. See the Learning and Skills Council Commissioning Strategy
<http://www.lsc.gov.uk/providers/commissioning/>

apprenticeships, which lead to perverse outcomes and questionable quality in the late 1990s³⁹. Countries such as New Zealand have pulled back from more intensively market driven funding for training⁴⁰ following some undesirable outcomes in the late 1990s.

Importantly, analysis of the United Kingdom experience suggests that undifferentiated '*accumulation of stockpiles of human capital is unlikely on its own to be sufficient to generate major improvement in economic performance*'⁴¹. Amassing of skills is seen to be important, but has to be accompanied by strategies that integrate with broader economic development, innovation, job design and workplace change. Comparison is made of the productivity performance of Scotland and England in relation to other European and OECD countries, the former having invested heavily in a more highly qualified population, but without a noticeably different economic performance⁴².

The Australian policy dialogue on training market reform has been maturing and developing in recent times. Commentators have moved beyond the juxtaposition of 'state versus market' approaches to resourcing of training⁴³. A number of Australian states and territories are moving down the track of market reform with identified strategies and targets for the expansion of competitive purchasing⁴⁴. Their strategies link to their economic, social and regional development goals.

Skills Australia suggests market reforms such as these, used creatively and tactically, can encourage and strengthen a new culture and behaviour by companies, and by individuals, in how priority skills are accessed, used and lead to an increase in productivity and overall sustainability of employment. The Productivity Commission's argues that competition-related changes can be particularly effective when well implemented in appropriate circumstances and have a role to play in human services⁴⁵. The right kind of competition can add value to the services and outcomes being sought from providers. It can be employed purposefully to achieve outcomes in relation to innovation, increased participation, flexibility, quality of training and diversity in service design.

Enterprises and providers - public and private - are best positioned as allies in this strategic agenda. A sophisticated approach is needed that builds on the best of public and private relationships, employer participation and contributions and learner-centred-ness. Such an approach also acknowledges the strategic role of the public TAFE system as an agent of economic and social policy and the importance of its intellectual and physical infrastructure in local communities.

Country comparisons suggest to Skills Australia, that a mixed model of market reform for vocational education and training is suitable to current Australian circumstances. Skills Australia sees a purchasing model with progressive expansion of competition, as an appropriate approach at present. This allows governments to focus on both industry priorities, informed by industry advice, and individual demand. Government purchasing can also be used more directly to target the more complex skill outcomes related to workforce development and to drive a more proactive approach by providers to engaging with industry. Student demand driven responses may not align well with emerging labour market trends and are less likely to drive an increasing engagement between providers and individual firms and industries.

In adopting this position, Skills Australia is mindful of the need to avoid distorted forms of provider led training, that suit institutional self interests or commercial imperatives, rather than addressing genuine labour market and community need.

39 K Schofield (2000) *The good, the bad and the ugly. Perspectives from three states on the quality of Australia's apprenticeship and traineeship system*, pp12-13, AVETRA Conference, Coffs Harbour 2000 <http://www.voced.edu.au/docs/confs/ncver/vetconf9/tr9schof.rtf>

40 R Strathdee (2003) *The 'third way' and vocational education and training in New Zealand*, Journal of Educational Enquiry, Vol. 4, No. 1, 2003

41 Keep, Ewart (2007) *Skills and the labour market's role in delivering economic performance and social justice; competing visions for 2020.*, page 11, School of Social Sciences, University of Cardiff

42 Keep, Mayhew & Payne (2006) *From skills revolution to productivity miracle* Oxford Review of Economic Policy Vol 22, 4, page 545 <http://skillecosystem.net/data/files/general/KeepMayhew.pdf>

43 See Per Capita Policy Exchange- 2008: Market Design - Driving Investment in National Capacity http://www.percapita.org.au/01_cms/details.asp?ID=124 Also, NCVER Competition Policy Roundtable, Melbourne 12 February 2009- unpublished papers

44 Victoria's Training Guarantee policy. See Skills Victoria, *Securing your jobs for the future*, 2008. Western Australia and South Australia have also identified strategies and targets for increased contestability.

45 Productivity Commission (2005) *Review of National Competition Policy Reforms* <http://www.pc.gov.au/projects/inquiry/ncp/docs/finalreport>

5.2.4 Complementary reform areas for market design

The relationship of market design to other National Training System governance reforms – most importantly a strengthened national regulatory model, more rigorous sanctioning through nationally consistent purchasing frameworks, consumer information and accountability - is essential to ensure a comprehensive and robust policy framework for its further implementation.

Earlier discussion has highlighted a central governance role for industry in driving and achieving change in the way skills are used. In consultations, Board members have identified industry's importance in ensuring education and training investment is directed to ensure effective outcomes, that is, knowledge that can be translated to economic benefit through jobs, innovation and productivity. The ability to meet regional needs was also recognised as important. This is discussed in brief below but is also covered in more detail elsewhere in this position paper.

Skills Australia proposes the following principles to progress training market reform:

- Governments manage investment in a high performing public system and private provider network to ensure responsiveness to Australia's skills and productivity needs, social inclusion through increased employment participation, and innovation
- Industry leadership informs and influences priorities for the purchasing of training at national and state levels
- Governments undertake a staged and progressive expansion of market led purchasing to achieve workforce development policy outcomes, guided by international best practice
- Government purchasing increasingly allows for learner and employer choice in strategic areas according to local requirements
- Governments ensure service accessibility where there is risk of market failure and give consideration or loading on the basis of disadvantage or full service
- Governments expand and improve information and facilitation for individuals and enterprises to comprehensively inform their choice of training provider, product and service, including through provider performance information
- Governments implement a national approach to regulation, including establishment of a national regulatory body of independent experts, and use more rigorous purchasing standards to reinforce provider performance and outcomes.

A feature of the proposed approach is the progressive expansion of competition over time firstly and importantly to allow for sufficient regulatory and quality safeguards to be put into place. It will also allow providers to adjust to changing market conditions - particularly those in the public sector.

The way in which the States manage their markets would be devolved and up to them. States would propose how they plan to increase and implement expanded contestable public funding over time, while balancing this with measures to ensure core funding for public providers to meet community services obligations, particularly in thin markets. States would achieve nominated targets over the relevant time period of an intergovernmental agreement, as envisaged under the Commonwealth's proposed National Partnership funding arrangements and they would be funded on performance. A feature of a State's governance reform commitments may entail increased purchasing in the hands of employers and learners, and the establishment of jurisdictional governance arrangements that would better reflect industry's enhanced role.

In a purchasing governance model there is strong perspective of workforce planning and labour market intelligence, led by industry and employers at the local and regional levels informing government priorities and directions as well as consumer information. Transparent use of labour market and demographic information informs government purchasing and is applied to ascertain vulnerable markets or risks to community service obligations. As noted above in section 4, Skills Australia plays an advisory role here through the proposed National Workforce Development

Strategy. States equally use their local industry advisory arrangements to ascertain appropriate investment strategies to suit particular occupational, regional or other markets.

Government 'bulk' purchasing from providers allows for contractual sanctions to enforce quality control and monitoring of institutional performance outcomes. This can be a much more effective form of quality control than just relying on regulation. Skills Australia's proposals on strengthened purchasing arrangements are outlined in the following section.

This reformed system of market design would be capable of accommodating a learner 'entitlement' approach over time – however this is not assumed to be a mandatory feature. This would be akin to an expansion of the current model of user choice (but beyond the apprenticeship program) where individual students or employers select their preferred provider. Governments would continue to exercise control over individual choice by limiting funding for certain programs, putting in place restrictions such as caps or eligibility criteria or allocating funding for specific training places or institutions to encourage take up.

5.3 Recommendations

It is recommended that:

- vi. Australian Governments adopt a purchasing approach as the preferred model for market reforms in VET and future investment in skills
- vii. Australian Governments agree to the proposed managed market reform approach to achieve greater choice and contestability as the basis for intergovernmental agreement together with:
 - implementation of a new national regulatory framework through an independent statutory body
 - continuing to ensure the ongoing role of public providers and their agency in regional economic development, particularly in thin markets
 - greater industry engagement in States' skills investment decisions with governance arrangements to reflect this, and
 - improved consumer information to assist choice.

6. Regulating and ensuring quality services and products

Key points in this section

- A national statutory regulatory body for VET– an *Australian Training Regulatory and Reporting Authority* is recommended- which would be responsible for three primary functions:
 - assuring quality and implementation of the AQTF through registration and audit of vocational education and training providers
 - endorsing Training Packages and developing other NTS products and
 - disseminating provider performance information, along with other information to assist users of their services.
- Over time a merger of VET and higher education regulatory functions may be a desirable and achievable direction
- A priority for the proposed national regulatory body for VET should be strengthening of AQTF risk management protocols, scope for interventions and treatments of sanctions to enable rapid national response to poor RTO performance
- A national regulatory model, more rigorous sanctioning, nationally consistent purchasing frameworks, consumer information and provider accountability are essential complementary reforms that should accompany expansion of contestability.

6.1 National governance of regulation and quality assurance

Skills Australia’s recommendations for a national regulatory framework for tertiary education, with a separate statutory body managing the VET arrangements have been informed by stakeholder feedback on the desirability of simplifying, providing clearer accountability and rationalising the multiplicity of authorities involved in industry advice on regulation and quality matters at both state and national levels. There is considerable complexity in the current governance of regulatory and quality apparatus with auditing arrangements in place for the AQTF, international students and for user choice purchasing arrangements. This is further complicated for providers operating in both the VET and higher education sectors.

What stakeholders have said

Some stakeholder frustration was expressed about differing standards and processes applied by state and territory regulatory bodies during RTO audits, and particularly the difficulties these present for national companies⁴⁶. The issue of varying timeframes for accreditation, registration and variations to scope was raised and the need for standardisation to ensure a responsive and flexible education marketplace⁴⁷. State based accreditation of courses, it was also suggested, was giving rise to duplications, undermining the national system and creating issues for clients of training in articulation and recognition across jurisdictions, particularly in licensed areas⁴⁸.

Some jurisdictions were not supportive of a national regulatory governance model⁴⁹ unless it could be demonstrated to have significant benefits for industry parties and particularly jurisdictions that have an interest in the states’ skilling capacity.

46 Master Builders Association and National Farmers Federation submission to Skills Australia Discussion paper, September 2008

47 Australian Council for Private Education and Training (ACPET) submission

48 South Australia Department of Further Education, Employment, Science and Technology (DFEEST) submission

49 NSW Department of education and Training consultation and South Australia DFEEST submission

6.1.1 The role of a national VET regulatory body

On balance, Skills Australia favours the establishment of a national statutory regulatory body for VET – an *Australian Training Regulatory and Reporting Authority*⁵⁰ – which would be responsible for three primary functions:

- assuring quality and implementation of the AQTF through registration and audit of vocational education and training providers operating in the domestic and international student markets
- regulation of Training Packages/VET Products (ie competency standards, qualifications and training content), and
- dissemination of provider performance information, along with other information to assist users of their services.

We believe this approach sets the stage for a simplified national regulatory platform for both VET and higher education, as proposed by Bradley. Its key benefit is also strengthened and streamlined industry control over the development of training content.

Skills Australia proposes this regulator should be an independent, expert, ‘arms length’ body - with clear authority and capacity as the arbiter on matters to do with provider registration and VET products and with powers to implement nationally effective sanctions against providers who do not meet quality standards.

As a statutory authority it would be appointed by and report to the Ministerial Council. Membership of the proposed national VET regulatory body should comprise a balance of independent industry and regulatory expertise, rather than following a representative stakeholder model, as stakeholders and their interests will be represented in other domains of the governance framework.

The establishment of a national VET regulatory body will overcome short comings in present governance structure particularly in relation to industry’s final endorsement of Training Packages and more effective national sanctioning of inadequate quality.

Skills Australia sees a more streamlined and effective process for Training Packages operating through recommendations by the ISCs (based on widespread consultations) to the proposed independent national regulatory body as the endorsing authority.

6.1.2 Implications for existing regulatory structures

In terms of the existing regulatory and quality structures at the national level, the functions of the National Quality Council (NQC), National Audit and Registration Authority (NARA)⁵¹ and TVET Australia, Skills Australia sees these being absorbed through the operations of the national VET regulatory body, with their functions for national registration and accreditation, and development of quality frameworks and training products being referenced in new national legislation.

The proposal for establishment of a national regulator would entail legislative change by each State and Territory to provide for adoption of a uniform national statutory approach. Precedents for this include the COAG March 2008 agreement to the Commonwealth assuming responsibility for regulating mortgage credit, advice and consumer protection⁵². Ministers for Consumer Affairs agreed to pass responsibilities for consumer protection laws to the Commonwealth, *‘the development of increasingly national consumer product and service markets means that Australian consumers will*

50 Note recent establishment of Australian Curriculum Assessment and Reporting Authority for school education

51 As of February 2009, NARA has delegations from Victoria Tasmania, ACT, South Australia for AQTF and CRICOS registrations, and from Queensland for the AQTF, http://www.nara.tvetaustralia.com.au/nara_news

52 The Ministerial Council on Consumer Affairs August 2008 agreed to adopt a new national consumer law – rolling nine laws into one. The new law will be based on the current consumer protection provisions of the Trade Practices Act 1974 (TPA) and incorporate some amendments from existing state and territory legislation. http://www.consumer.gov.au/html/download/MCCA_Meetings/Meeting_20_15_Aug_08.pdf

benefit from uniform national consumer policy, legislative and enforcement frameworks'. COAG has also agreed to adoption of a national professional licensing approach⁵³.

In terms of establishing the national VET regulatory body, decisions need to be taken about the legislative instrument to be adopted and the role of the State and Territory registration and accreditation agencies. The options being considered for the national licensing system could be mirrored here – that is, a national delegated agency model or a single agency model.

Whether there is one national regulator or a system of networked regulators across the jurisdictions with delegated power, there will be a continued need for resources to be devoted to moderation, sharing of information and sharing of good practice in regulation across the jurisdictions.

6.1.3 Implications for broader tertiary sector

In terms of the interface with higher education, Skills Australia anticipates that over time a merger of VET and higher education regulatory functions may be a desirable and achievable direction. However, there is substantial interim work in achieving a national VET regulatory apparatus and determining an appropriate operational model engaging states and territories. VET regulatory responses and relationships also need to be established in regard to the introduction of a National Licensing System for occupations and this will be a priority focus.

Skills Australia envisages a priority for a national higher education regulatory approach as announced by the Deputy Prime Minister will be a substantial reorganisation of higher education accreditation and quality responsibilities previously undertaken by States and Territories. Skills Australia believes a staged approach may be needed to bring higher education regulatory arrangements together and to ensure a smooth transition.

The two national regulatory bodies should be required to achieve an aligned quality framework over twelve months. Once these new arrangements are transparent and stable, the most appropriate form of interaction, and a time frame for eventual merger of the national regulators can be progressed. The distinctive requirements of both sectors would need to be accommodated within such a merger.

In Skills Australia's proposed model, the Australian Qualifications Framework Council reports to the new tertiary Ministerial Council. This is seen to be of more direct relevance to this new Council's purview, as the majority of the Framework's descriptors apply to the VET and higher education sectors and this will be where the focus of any further refinements and developments are likely to occur. However, the Australian Qualifications Framework covers school level qualifications and this body may have to report also to the Ministerial Council responsible for schooling.

We suggest that over time, the functions of this Council would naturally merge into a single national regulatory body, once the alignment of VET and higher education sectoral regulation has matured.

6.1.4 Recommendations

It is recommended that:

- viii. Australian Governments undertake legislative reform to establish an independent national regulatory body, absorbing the functions of State and Territory regulatory authorities and reporting to Ministerial Council
- ix. Australian Governments agree the national VET regulatory body be responsible for the registration and audit of VET providers, final endorsement of training products and dissemination of provider performance information on service quality and outcomes to assist users

⁵³ A related COAG reform agenda aims for full mutual recognition of occupational licensing across Australia. A significant step was agreed at the November 2008 meeting which resolved to proceed towards national registration and accreditation for 9 health professions.
<http://www.licensinglinenews.com/InfoPage4.asp>

- x. Australian Governments agree in principle that the national VET and higher education regulatory bodies and the Australian Qualifications Framework Council would merge as the alignment of the new regulatory arrangements mature and become more stable.

6.2 System architecture - strengthening regulation and quality

A central challenge for the VET system is achieving consistency in its quality assurance arrangements so there is public confidence in the training system's capacity to produce graduates who can perform at the level expected of a person with an industry endorsed qualification. Within the national training system architecture, there are two levels at which Skills Australia sees quality improvements can be driven - at the national level through the AQTF and at the state level through purchasing arrangements.

6.2.1 Strengthening the AQTF

Skills Australia believes any training market reforms or extension of competition should occur in parallel with robust regulatory development to ensure improved safeguards and enhanced quality of outcomes. The ongoing strengthening of the Australian Quality Training Framework (AQTF) will be central to these developments.

The AQTF 2007 has introduced a new focus on registration, auditing and risk management of providers. The KPMG *Formative Evaluation of the Implementation of the AQTF 2007*⁵⁴ notes positive progress in the implementation of the new AQTF and strong support for the reform intent and outcomes-focused principles has been expressed by all stakeholders. The new Framework requires that registering bodies adopt a risk management approach to registration and audit – which will allow them to have a 'light touch' on those providers deemed to be low risk and therefore to focus their regulatory resources at areas of greatest risk.

In a system with over 4,600 providers operating in States and Territories, risk management is necessary. However, risk management depends on drawing up a risk rating for each provider – this has not happened yet as the quality indicators to support this are still to become operational and easily transparent to users⁵⁵.

Skills Australia is concerned that a significant issue related to the efficiency and effectiveness of the AQTF relates to the scope for sanctions to be applied once risks have been assessed and also in the case of provider poor performance. There are limitations on the speed or ways in which the state Registering and Course Accrediting Bodies (RCABs) can react to emerging problems.

For example, the agreed practice under the AQTF is for an RTO to be audited by an RCAB in the first year of registration and again within five years. An RCAB must have a good reason for any additional audit, such as a complaint lodged by a student indicating problems with quality. Without a complaint of this sort the RCAB has to find considerable cause to justify an additional audit. We are aware that 'indirect' approaches have been adopted, such as the use of strategic industry audits where concerns have been raised about the practices of several providers in an industry. While such actions are appropriate and allow system wide remedial responses for continuous improvements, they are not a direct route to readily sanction individual providers.

This contributes to the slowness in dealing with problems which appear to be widely known, illustrated in recent media reports about clearly inadequate delivery to international students by a few providers. Skills Australia believes that ways of speedily detecting dubious performers, immediately instigating audits and applying sanctions need to be better addressed in the application of the AQTF or in revisions to the AQTF.

⁵⁴ KPMG (2008) *Formative Evaluation of the Implementation of the AQTF 2007* http://www.training.com.au/documents/formative_evaluation.pdf

⁵⁵ Under AQTF 2007, the essential standards for RTO registration also include Quality Indicators. The Quality Indicators are learner engagement, employer satisfaction and competency completion. These have not been implemented yet, but when they have, RTOs will be required to collect and use data on these three indicators and this data will be used for two purposes:

- for continuous quality improvement
- to assist Registering Bodies assess the risk of an RTO's operations.

Skills Australia suggests that the proposed move to a national regulatory body will provide a stronger mechanism to address such issues. We note that a range of inconsistencies were pointed out in the KPMG evaluation of AQTF 2007. The report finds *'continued focus on building national consistency is necessary to facilitate successful implementation'*. Some of the challenges for improvement identified in the report include:

- variation in the linkage between the risk management protocols and the treatment of risk by Registering Bodies and variation in the implementation of auditing arrangements by Registering Bodies
- inconsistencies in requirements for registration and approaches across states/territories
- inconsistencies in the approaches of auditors within and across jurisdictions, and
- communication, networking, and information sharing between Registering Bodies

We see the introduction of a national VET regulatory body provides a much stronger platform for consistent auditing practices, treatment of sanctions and operational culture in implementation of the AQTF across Australia.

6.2.2 Recommendation

It is recommended that:

- x. the proposed national VET regulator, as a priority, strengthens AQTF risk management protocols, scope for interventions and treatment of sanctions to enable rapid national response to poor RTO performance.

6.2.3 Purchasing of training and quality assurance

Skills Australia proposes any extension of contestability in the National Training System must be accompanied by appropriate regulatory reform. Tightening of checks and balances are also necessary to ensure consistency, rigour, best practice and simplicity in the way markets are managed and providers' performance and outcomes are monitored.

While Skills Australia recommends a national legislative and governance framework for the regulation of training, it recognises that State and Territory Governments, as the principal purchasers of services, have significant leverage of quality and control of provider performance through purchasing agreements, performance standards and sanctions. This is another mechanism to drive quality and achievement of outcomes and it can be strengthened to complement the quality arrangements under the AQTF.

Each State/Territory regulates the flow of funds and desired outcomes in their training markets using a range of policy levers to guide the implementation of contestable program funding.

Purchasing levers include overall resourcing levels, pricing differentials applied to priority programs, geographic restrictions, capping of commencements, ineligibility of interstate providers to funding etc. Pricing levels, capping and related restrictions also curb the attractiveness of certain programs to particular user or provider types. These have a legitimate place in regulating the strategic outcomes of contestability and in protecting against market dysfunction, particularly in remote, rural or regional locations.

6.2.4 The role of contracts and contract auditing in assuring quality

States also implement quality controls through contract management. This generally operates through a tender process and establishment of a preferred provider list, register, or panel. Victoria has also introduced more rigorous requirements for market entry whereby private providers must demonstrate their financial viability and have a track record of qualifications on scope. Providers need to provide an independent auditor statement and also meet additional criteria in relation to their liquidity, solvency, profitability, economic dependency and statutory compliance before they become eligible for public funding⁵⁶.

⁵⁶ Department of Innovation, Industry and Regional Development (DIIRD) *Guidelines for Assessing the - Business Viability of Private Registered Training Organisations* September 2008

States 'regulate' provider performance through parameters such as limits to the scale of provider delivery (particularly newcomers to publicly funded delivery); providers' track records; completion rate benchmarks; history of complaints or non-compliances in prior AOTF audits. A number of States have in place contract monitoring, compliance, expected performance and evidence standards over and above those deployed through AOTF registering and accrediting bodies. The potential power of contract auditing compared to AOTF audit processes is the linkage of payment to satisfactory delivery of outputs and performance standards (where these are required).

Currently an RTO receiving public funding may experience two levels of audit by the government - an AOTF audit and audit by government as purchasers of training. In some cases these are integrated. But RTOs or companies receiving funds from various state governments may be subject to varying purchasing audits regimes.

Skills Australia supports consistency and the adoption of best practice across state purchasing arrangements through standard clauses and the harmonisation of currently varied purchasing frameworks across States. Purchasing contracts should emphasise the specification of required outcomes, performance standards and suitable examples of evidence of performance. Strengthened purchasing arrangements should also provide for clear and swift interventions and sanctions of poor outcomes. More stringent financial criteria for provider eligibility for public funding are also a desirable mechanism for excluding vulnerable or potentially unreliable operators from the training market.

Within a national regulatory framework for training, it is important that State and Territory purchasing contracts and provider quality assurance processes do not add additional complexity or layers of monitoring over and above AOTF audits and monitoring. The proposed *Australian Training Regulatory and Reporting Authority* should work with states and territories to advise on best practice approaches to contract management and opportunities to streamline or integrate contract auditing with AOTF audit processes.

6.2.5 Recommendations

It is recommended that:

- xii. Australian governments introduce a more consistent national framework for purchasing contracts with agreed core standards– focusing on RTO performance requirements and evidence samples, while recognising States/Territories' need for unique contractual specifications
- xiii. Australian Governments introduce a consistent national approach to checking the financial viability and track record of RTOs as quality providers, as a standard requirement for their eligibility for public funding
- xiv. the proposed national VET regulator work with States and Territories:
 - to develop a national framework and agreed core standards for purchasing contracts
 - to advise on consistency of purchasing and performance standards and mechanisms for integrated AOTF compliance and purchasing auditing approaches to be implemented by States.

6.2.6 Training Packages and the development of NTS quality architecture

Skills Australia's proposed governance structure identifies responsibility for Training Package development and endorsement as one of the three main functions of the national VET regulatory body. Currently they are nationally endorsed by the National Quality Council and then agreed by the state/territory ministers for vocational education and training. Comments to Skills Australia about the Training Package approval process, have noted the need for greater industry authority in the final endorsement process and there was concern over training package development and implementation processes being lengthy and not responsive to changing job requirements. The role of the proposed

national VET regulator as the independent Training Package approving and endorsing body is seen by Skills Australia as responding to these views in creating greater system responsiveness.

6.2.7 Recent developments

In terms of the content, the National Quality Council (NQC) and the COAG Joint Steering Committee have released a Discussion Paper⁵⁷ to assist the national review of the next generation of Training Packages. Skills Australia believes the next generation of Training Packages needs sufficient flexibility for the emerging labour market where enterprises and individuals require innovative and productive capacity and where personal competencies are featuring more predominantly as a generic workplace requirement. Skills Australia sees two initiatives as important for the future operation and development of Training Packages and the system governance arrangements in relation to them.

Firstly, broader definitions of competence are required to –

- make Training Packages less specific and detailed, to reduce the number of qualifications and increase the emphasis on customisation for enterprise contexts
- make the process of developing and endorsing Training Packages shorter and less bureaucratic⁵⁸, and
- reduce the need for separately accredited courses.

Secondly, the convergence of Training Package competency standards and national licensing systems is important to harmonise licensing for trade and regulated occupations. COAG through its Business Regulation and Competition Working Group has agreed to the development of a national trade licensing system. One of the objectives of the National Licensing System⁵⁹ is convergence of the skills assessment and licensing systems to facilitate a consistent skills base for licensed occupations by relating licence eligibility with industry standards established by national Training Packages.

This development may require:

- A stronger work related skills and assessment standard that will meet occupational licensing purposes. Such qualifications will have increased focus on competency assessed in the workplace, and performance to required standards and work contexts
- More diverse types of qualifications, or alternatively, further detail on testamurs which acknowledges where skills have been assessed in the workplace and/or are suitable for occupational licensing purposes. This could also suit different types of learners not immediately proceeding to work in the occupations that they have trained for.

6.2.8 Qualifications and inter sectoral integration

The Bradley Review of Australian Higher Education has recommended, and Government has agreed, to a review of the Australian Qualifications Framework (AQF) to modernise its structure and descriptors, to develop it in consideration of international trends and labour market mobility, and also in relationship to Australian sectoral linkages.

Skills Australia emphasises the importance of retaining the broad suite of qualifications in the VET sector to suit learners across the range of entry level and para-professional qualifications who are interested in courses designed and delivered according to industry standards and the currency of workplace contexts.

Regarding the overlap between VET and Higher Education at the Diploma and Advanced Diploma levels, Skills Australia recognises the need for a consistent approach and is of the view that further investigation of these courses needs to be undertaken through the AQF review. Most enrolments

57 Joint Steering Committee of NQC/COAG (2009) *VET Training Products for the 21st Century* http://www.nqc.tvetaustralia.com.au/work_plan/vet_training_products_for_the_21st_century

58 See for instance submissions to Skills Australia from Forestworks, Government Skills Australia, Housing Industry Association

59 See Regulation Impact Statement on a National Licensing System October 2008 at <http://www.licencerecognition.gov.au/LR%20pdf%20files/National%20Licensing%20System%20RIS%208%20October%202008.pdf>

in these courses are predominantly in the VET sector and have considerable industry involvement⁶⁰ and for many individuals, Diplomas and Advanced Diplomas are an exit point for VET more than they are an entry level for University.

This is also most important in relation to considerations of applying of the higher education resourcing entitlement at this level.

Any reforms to access, to funding, regulation and content of these courses should take account of arrangements that best suit the needs and aspirations of students and employers' use of these skills and learning and employment pathways of individuals studying at these levels.

Skills Australia endorses the essential work of the Australian Qualifications Framework Council to establish parity and inter-sectoral consistency between university and VET sector qualifications. Mechanisms for competency-based and merit-based systems to more readily inter-relate, for the benefit of students are critical.

6.3 Reporting on system and provider performance

This aspect of the national VET regulator's role is developed more fully in the next section.

⁶⁰ Over 90 per cent of the Diploma and Advanced Diploma students were in the VET sector in 2007. In the public sector, there were 166,000 students in Diplomas and Advanced Diplomas recorded in the NCVET VET statistics and less than 5,000 Diploma and Advanced Diploma students in the public universities recorded in the DEEWR Higher Education statistics

7. Using information for system performance and client choice

Key points in this section

- Improved consumer information and readily available comparisons of providers' performance are important to assist individuals and enterprises to make choices about training services. It also underpins transparency on the outcomes of public investment
- The proposed national regulatory body would have the authority through its focus on quality assurance and regulation to drive the collection, reporting and improved accessibility of provider level information
- An effective and mature training market depends on improvements to the amount and type of information made publicly available to consumers
- NCVER, with essential expertise in system research, analysis and reporting functions will have an enhanced role in capturing improved and more easily accessible information. NCVER will have a key supporting relationship to the national VET regulator as well to Skills Australia
- There is an opportunity for the national VET regulator, working with third parties, to add value for consumers in presenting performance information and to make it more accessible and user friendly.

7.1 Information and governance: why the focus on information

Public accountability and transparency of outcomes by public and private providers in the National Training System is a powerful means for users, owners, and purchasers of services to monitor and compare the characteristics and quality of outcomes of services.

It is also a mechanism whereby providers and trainers can benchmark and monitor their own performance against others. Greater facility for the public to access and compare provider performance is an important system function to support choice for individuals and employers. At intergovernmental levels, greater transparency and accountability in performance, particularly in relation to participation and productivity has been a focal point of recent COAG funding agreements.

As outlined in Section 6, Skills Australia recommends the proposed national VET regulator- the *Australian Training Regulatory and Reporting Authority* - should also undertake the important function of information analysis and dissemination:

- firstly to underpin judgement of system and provider performance against outcomes and to inform decision making about system improvement, and
- secondly to assist the public understanding of service options and choices.

7.2 The role of a national VET regulator

We see the national VET regulator playing a role similar to that proposed for the newly established Australian Curriculum and Assessment Reporting Authority (ACARA)⁶¹, an independent statutory authority which is to manage national curriculum and national student assessment. It is responsible for reporting of school education outcomes and includes among its specific functions:

- collecting, management and analysing student assessment data and other data relating to school and comparative school performance
- facilitating information sharing arrangements between Australian and state and territory governments bodies in relation to the collection, management and analysis of school data
- publishing information relating to school education including comparative school performance

AQTF 2007 includes a requirement for information on three quality indicators (learner engagement, employer satisfaction and competence achieved)⁶² to be gathered. But at this stage it is primarily for continuous improvement and for aggregate reports to state-based regulators as part of a risk management approach to audit. It is not an expectation that this information be made publicly available.

Skills Australia is of the view that information, such as quality indicators, should be made publicly available to individuals to help them make informed choices. It is for this reason that in the proposed governance model we advocate the national VET regulator undertaking a performance reporting and information dissemination function in addition to regulatory registration/audit and Training Package/course accreditation functions. We see such a body has the authority, through its focus on quality assurance and regulation to drive the collection, reporting and improved accessibility of provider level information.

The National Centre for Vocational Education and Research (NCVER) has played a unique and crucial role in National Training System improvement over the last decade. We see the NCVER as a critical resource for the sector, and suggest it will need to have a close working arrangement with both the national VET regulator and Skills Australia. The detail of how the national VET reporting function will complement and work with the national data collections managed through NCVER is yet to be worked through. However an option may be that the national regulator, like ACARA may focus on reporting individual provider information. This is compatible with the recent COAG decision requiring greater visibility, consistency and accessibility in accountability of schools systems and the non-government school sector in receipt of public funds.

The following are seen to be advantages of the national VET regulator taking on this function:

- it will have the authority to require providers to gather and report data on job outcomes, satisfaction, learner engagement, course completion because this can be part of the registration and audit requirements
- as the VET system moves toward further autonomy for its providers – it makes good sense to have the independent arms length regulator involved in ensuring all providers, both public and private comply with its requirements for consumer level information and encouraging providers to use the information for continuous improvement
- this may be the catalyst needed to start better information gathering on the extent of private training provision in the VET sector
- this may also be a way to address the lack of longitudinal data on medium and longer term student outcomes in VET.

Skills Australia recognises that transparency of information at the provider level can happen naturally, and in cases is already being done. Some providers see a competitive advantage in publishing the findings of student evaluations and destination data. We also encourage providers to self report. It is our observation that once providers start to make their outcomes- in terms of student and

61 Australian Curriculum Assessment and Reporting Authority Bill 2008 accessed at <http://www.aph.gov.au/library/Pubs/BD/2008-09/09bd060.pdf>
62 Australian Council for Educational Research AQTF 2007 Quality Indicators Resources Package <http://www.acer.edu.au/aqtf/>

employer satisfaction, job outcomes, course completion - more publicly available in consistent, easily understood and accessible ways, then competitive pressure will be on others to do likewise.

However for comparison across the system, to assist individual access to information and to ensure efficiency and costs are maintained, it makes sense to capture the data consistently using similar tools and measures. Hence the regulatory system can play a role in requiring data to be reported publicly as part of the accreditation and audit process.

The collection and reporting of such information will be influenced by

- how the IT systems that support information gathering are built
- government and provider decisions about what information to report
- cost of gathering information
- speed of reporting on the information
- accessibility of the information
- way the information is packaged to make sense to individuals and employers
- how the information collected through the national regulator can add value to other information that is gathered and reported through the States and Territories and NCVER.

These are all issues to be further worked through and resolved once a commitment is made to mandate the collection of such information and once consultations with other key players such as providers, state and territory governments and NCVER are undertaken.

7.3 System architecture implications - what kind of information?

To date the National Training System has focused more on development of information for whole of system accountability purposes, at the national and jurisdictional levels, but less on the transparency of performance at the provider level.

Aggregated data at the jurisdictional level is generally reported publicly through the annual national report on VET and in various NCVER statistical reports as well as in reports produced by each state/territory. Skills Australia recognises the achievements to date in the VET sector of producing information about the performance of the sector through:

- data collected by providers and reported to each state/territory in terms of statistics about students and courses in VET, as well as in apprenticeships and VET in schools
- responses from a sample of students through the student outcomes survey
- responses from a sample of employers to surveys of their use and views of the system
- the substantial research and analysis done through the NCVER and the various research projects it funds.

However providers do not generally provide information that tells an individual or an employer about their performance – for instance:

- number of students who complete qualifications at their institution
- employment rate of those complete qualifications at their institution
- student satisfaction with the teaching/learning/assessment experience at their institution
- employer satisfaction with the quality of graduates from that institution.

For instance, the performance and accountability of public TAFE systems is generally publicly available at the system level through departmental annual reporting, in some NCVER national surveys, but it is absorbed within state outcomes in VET Annual National Reports. Transparency of this kind has given little insight into the performance and achievements of individual TAFE institutions. There are scant public insights into the outcomes realised by individual private providers. Searching for an institution's annual report on provider websites makes comparisons very onerous for service users.

Providers generally make information about course offerings available through publications, marketing information and website and now with training packages, there is information about

the standards expected at different qualification levels. However today's more sophisticated and information savvy consumers expect more than information about the range of products available. Now users want information about the performance of the service providers they use.

The choice of career and training options made by individuals is often influenced in large part by parents, by peers, by school and in adult life by work opportunities, changing demands and pressures at work and by employer support. Traditionally the information on which these choices are made is anecdotal, hearsay or based on long held views and personal experience as well as information about the range of courses available and information on careers available through schools or on websites such as myfuture⁶³. Data on provider performance gathered from those that have experienced the system – past students and employers - has not been widely available to date in Australia and yet is the most useful and revealing information for consumers.

While the pressure to be accountable for public spending has been the driver for much of the information that is made available, greater consumer focus, access and relevance have not been strong features in the argument for more provider level information. There is an opportunity for third parties to add value for consumers in aggregating and analysing performance to make it more accessible and user friendly.

7.4 Recent developments

The recent OECD report⁶⁴ makes the case that competition increases the need for greater availability of information about providers – in particular the quality of providers. The OECD recommendation states:

A broader range of quality and outcome data at the provider level should be developed and made available. This will support student choice and provision driven by student demand. Data should become a systematic element of programme and policy decision making. Efforts should be made to fill the data gaps including an extension of the Student Outcome Survey.

Victoria⁶⁵ has recognised this by funding the Victorian Registration and Qualifications Authority to enhance the state Register of accredited courses and qualifications available in Victoria by '*providing clear and authoritative information on qualifications, training courses, accredited qualifications and providers including information about the performance and quality of training providers.*'

The Victorian Government is also funding the development of the Qualifications Navigator on-line which will be a user-friendly source of information on the level and amount of learning in different qualifications or the 'value' in terms of points.

The Bradley report⁶⁶ notes this need for good quality information highlighting both:

- the need for research on how student information needs are best met and depending on the findings – enhancing the *GoingtoUni* website to include results from the Course Experience Questionnaire, the Graduate Destination Survey, the Australasian Survey of Student Engagement and other relevant sources to bring together information for students in ways that better meet their needs, and
- strengthening accreditation requirements on providers to provide information to the public about the results of surveys or audits. Depending on the nature of the new outcomes- and standards-based arrangements, providers could be required to make available information on how they perform in those arrangements.

63 <http://www.myfuture.edu.au/>

64 K Hoeckel et al op cit, p29

65 Victorian Government (2008) *Securing Jobs for your Future Skills for Victoria*

66 Bradley Review op cit , p139

Minister Gillard, in a speech to the Independent Schools Council of Australia⁶⁷ addressed the issue of the importance of transparency in information for individuals, institutions and governments saying:

...high quality schooling should be available to all children, wherever they live, whatever background they come fromWe believe this new approach requires a new era of transparency and accountability...For parents to fully understand the choices they make for their children, we need a more transparent and consistent basis for them to examine their options. To target resources in a way that will improve our education system we need richer sources of information. ...

For schools, teachers and education authorities to learn which strategies work in which circumstances we need comprehensive information about both the performance and the circumstances.

Thus calls for better information are across the education sectors and few would argue with the basic principle.

Transparency and accessibility are fundamental features of good consumer information and there is recognition that, individuals, parents, employers, providers all have a right to better information about performance so that they can choose a service that suits their need and so that the National Training System itself can improve.

While there may be hesitation about comparisons and the fear of 'league tables' given VET providers operate in widely different markets and with the constraints of different operating environments, Skills Australia is of the view that all stakeholders can gain from greater transparency and determination to target resources to where they are needed most, based on better sources of information.

The challenge in providing more information is to balance the need for transparency and accessibility with cost factors, and to avoid unnecessary burdens on providers.

7.5 Recommendation

It is recommended that:

- xv. The proposed national VET regulator, working closely with the National Centre for Vocational Education Research, undertakes the role of system performance evaluator and makes provider performance information and outcomes information publicly available to assist users and inform quality reforms.

⁶⁷ The Hon Julia Gillard MP *Speech to the ICSCA Forum, media release 1 September 2008*, <http://mediacentre.dewr.gov.au/mediacentre/gillard/releases/theiscaparliamentaryforum.htm>

8. Providing training services that meet needs

Key points in this section

- National and local governance arrangements should support providers' capacity to respond quickly and flexibly to the rapid changes in global and local trends for training and related services
- There is a need to strengthen and greatly extend public provider flexibility to drive customised and personalised learning services, industry engagement and to have greater business autonomy at the local level.
- States should pursue governance reforms to stimulate the operational independence of public providers to deliver greater diversity in service provision.

The National Training System functions in order to meet the needs of clients: individuals requiring both broad as well as specific skills throughout life to enter and re-enter the workforce, to upgrade or refocus their careers; and enterprises who need a workforce with the full range of broad, generic, technical and specialist skills to make their businesses successful.

Having a strong public provider of training working alongside diverse, robust private providers is a fundamental platform for meeting these needs and achieving COAG targets for higher level skills. We now consider the organisations that provide the training and support workforce development – the public and private providers, and how they feature in the proposed governance framework.

8.1 Governance dimensions of service delivery

8.1.1 Client expectations of VET providers

Delivering training is no longer enough.

Consumer expectations in the 21st century are sophisticated and often complex. The National Training System's users are global, as well as local citizens and enterprises, subject to rapidly changing economic, occupational and social trends. They want the tailored, easily accessible and flexible service they have come to expect in many other contemporary service industries. Creativity and responsiveness is being demanded, not standardised or rigidly designed services. This doesn't only mean service facilitated through technology, but also more holistic and personalised services.

Users want to choose a service to suit them. Training providers and businesses are increasingly jointly designing and integrating training with longer term corporate strategies in mind, rather than 'one-off' provision of a standardised course. Workforce development and changes in workplace culture are seen by enterprises and governments as integral to economic development, innovation and increased productivity.

8.1.2 What are the implications for governance?

The messages for National Training System governance are about greater simplicity to enable responsiveness and flexibility.

The emphasis for providers is on quality provision, operational flexibility and entrepreneurship. *'As the world shrinks, TAFE staff must be at the cutting edge of change in industry and occupations nationally and internationally, quickly diffusing this knowledge and translating changes into services to suit local and regional business conditions and the growing diversity of learners'*⁶⁸.

The NSW Independent Pricing and Regulatory Tribunal's Review of the NSW VET sector⁶⁹ states that the VET system can act as a catalyst for workforce development delivering programs in a way that influences workplace cultures to ensure that the skills it provides are actually used. This has important lessons for both public and private provision in VET as this new role will require all VET providers to work more closely with industry. The Tribunal's report states that teaching alone will not be sufficient – providers must seek to develop partnerships with firms or clusters of firms that enable them to encourage these firms to provide higher skilled jobs, clearer career paths and more training. VET providers should seek out new business and develop relations with clients – the expertise that VET providers should bring relates to managing the firm's human resources better – which means the firm and the VET provider jointly considering the firm's future skill needs and training requirements, how work will be structured and organised and what that means for career paths and attraction and retention of skilled workers.

A number of reports have argued for the separation of purchaser and public provider roles at the State and Territory governance levels to free up purchasing to better meet needs where and as they arise, rather than where services are traditionally located. Autonomy for TAFE institutes has also been proposed, to enable TAFE providers to work more independently and with greater operational flexibility⁷⁰. Some States have autonomous TAFE Institutes and others are moving to establish them. Contestability is also linked to the issue of governance. Victoria is well down this track and other states have set up more arms length purchasing arrangements within existing institutional frameworks.

On the other hand, other reports have suggested that a fundamentally new business model is needed to enable providers to carry out this new role, recognising that the physical, human and operational capacity to meet the challenges need to be established⁷¹. Indeed, these are seen as higher order issues than statutory or structural arrangements for administrative autonomy.

Skills Australia sees that in some instances a structural solution for the greater independence of the public provider may be appropriate, but this is something that needs to be locally determined to suit the characteristics of the history, legislative base and market features of each jurisdiction. A 'one size fits all' arrangement is unlikely to be tenable.

Section 5 has already discussed the Board's suggestions on market reforms.

It is clear however from our consultations that there is a need to strengthen and greatly extend public provider flexibility to drive customised and personalised learning services, industry engagement and to have greater business autonomy at the local level.

68 TAFE NSW (2007) *Doing Business in the 21st century* <https://www.tafensw.edu.au/news/pdf/TAFE-NSW-Doing-Business-In-The-21st-Century.pdf>

69 NSW Independent Pricing and Regulatory Tribunal (2006) *Up-skilling NSW – Final Report* page 50

70 Boston Consulting Group 2007, *Skilling Australia's workforce 2005-2008*, Mid term Review.

71 TAFE Directors Australia 2007, *Investing in productivity: Engaging TAFE to accelerate* workforce development and job participation, TAFE Directors Australia, Canberra; Allen Consulting Group 2006, *World class skills for world class industries: Employers' perspectives on skilling Australia*; Economic Development Board of South Australia (2007 :136);

8.2 The value and contribution of the public provider

More tangible outcomes from training are strengthened by the capacity of both public and private providers to respond to the needs for skill development in all sectors of the economy. Diversity of provision is an asset in an era when there is a constant need to expand services and broaden and deepen the skill and knowledge base of the population. As noted earlier, competition is seen as a valuable tool in stimulating these responses and targeting specific outcomes. The Board sees it is important however to note the need for a strong and high performing public provider.

A 2007 snapshot of publicly funded delivery	
Students enrolled	1.67 million
Number of providers	
TAFE	59
other government providers	100
community education provides	529
Other registered providers	1384
Delivery locations	12,427
Subjects enrolled	12.3 million
Hours of delivery	390 million
Public provision of hours	85%

Areas in which the private sector has traditionally concentrated include business services, IT, creative industries, hospitality and tourism. We also know that there is substantial privately funded activity beyond that which is captured in national statistical collection. Private providers play a major role in teaching English language to overseas students and many offer commercial programs to both VET and Higher Education sector students, particularly international students.

In terms of the 1.67 million publicly funded students, TAFE and other government providers deliver to 79% of these and provide 85% of the service hours. The Australian TAFE system has an extensive demographic and geographic footprint with approximately 60 Institutes spread across 1400 campuses across the nation. The Deputy Prime Minister⁷² has described the system as *'the engine rooms for much of Australia's training effort and success. Much will depend on the continued health and sustainability of these public providers.'*

With its origins in Australia in the mechanics institutes and schools of arts in the early decades of the 1800s, the public TAFE system is recognised to be more than a provider of training.⁷³ TAFE institutions have been responsible for longstanding associations with local employers small and large, building partnerships and networks in the communities they serve. The institutions themselves are large employers and have substantial local presence and standing, providing enabling physical and intellectual infrastructure for economic and community development in a region. They are understood to provide unique value through 'specialist learning environments, extensive training capability, network of campuses and its responsiveness to industry'⁷⁴.

The OECD⁷⁵ acknowledges that community service obligation needs to be properly recognised and recompensed. It also makes the observation that effective partnerships between providers and industry are important and that *currently the quality of such partnerships depends heavily on*

72 The Hon Julia Gillard MP(2009) Speech given at the Big Skills Conference, 5 March 09
http://www.deewr.gov.au/Ministers/Gillard/Media/Speeches/Pages/Article_090305_093449.aspx

73 Gillian Goozee (2001) *The development of TAFE in Australia*, NCVER, <http://www.ncver.edu.au/research/proj2/mk0003.pdf> 9 Mar 09

74 Allen Consulting Group (2006) *The complete package: the value of TAFE NSW* p2, accessed at
<https://www.tafensw.edu.au/news/the-complete-package/The-Complete-Package.pdf> 24 Feb 09

75 K Hoeckel op cit p 39

personal relationships. While these are important, they need to be systematically supported perhaps through a small fund for innovative local initiatives.

TAFE Directors Australia also highlight the need for a much greater and deeper appreciation of the role and capacity of TAFE Institutes in any construct of national governance arrangements. This includes their responsibilities in the equity and social inclusion arenas – especially across regional and remote Australia, as well as the capacity of their networks of campuses to meet local and regional skills needs, employer and customer demand.⁷⁶

While emphasising jurisdictions should be encouraged to work toward a greater degree of competition to drive improvements in the quality, responsiveness and flexibility of training, Skills Australia believes it is important to continue to support the capacity of public providers in terms of ensuring adequate core funding to cover community service obligations including promoting social inclusion, ensuring access particularly in thin markets, and funding infrastructure such as libraries and student counselling and support. Funding for programs that are responsive to industry needs and which will drive innovation and fresh direction in developing the skills base should become increasingly competitive over time.

In order to position public providers for a more competitive environment, this will mean the requirement for them to operate as public entities with core funding provision, being balanced with greater independence. TAFE institutions should have sufficient incentive to compete and flexibility to operate and develop their business to suit changing contexts. This may include removing operational constraints around delegations, reporting and budgeting and the ability to use earnings to reinvest in service capability. This will be vital for continuing service innovations and success in a more competitive market.

8.3 Governance matters for providers in the VET sector

In this context Skills Australia notes there will be a growing role for RTOs and trainers to work as consultants to firms, designing training and brokering other services and as facilitators of learning. Moreover, the workplace will become increasingly the site of learning – this in turn will help forge closer relationships between RTOs and firms and thus enhance the scope of RTOs to contribute to workforce development.

This means that training providers need to develop sound governance and operational methodologies which:

- are informed, creative and entrepreneurial in ways they work with businesses, regional development bodies, peak industry groups, local government, and community bodies
- establish and cultivate regionally based networks and partnerships
- have the capacity to tailor singular solutions for particular firms or groups of firms as well as holistic and collaborative approaches suited to local communities and their specific needs.

While there are some providers in the system who are on this path, the challenge is to make this way of working part of all providers' modus operandi.

8.4 Recommendation

It is recommended that:

- xvi. State Governments undertake appropriate governance reforms to increase the operational flexibility and business autonomy of public providers to stimulate greater diversity in service provision, and to ensure they are strongly positioned in an increasingly competitive market to contribute to COAG and Bradley targets.

⁷⁶ See submissions from TAFE Directors Australia and TAFE SA TAFE SA in response to Skills Australia discussion paper *Future Governance Arrangements for the National Training System*. See also TAFE Directors Australia submission to the Australian Higher Education Review

Attachment A

Stakeholders who provided submissions responding to the *Future Governance of the National Vocational Education and Training System* Discussion Paper

1. Forestworks ISC
2. Construction and Property Services ISC (CPSISC)
3. Agrifoods ISC
4. Government Skills Australia (GSA)
5. Group Training Australia (GTA)
6. Australian Chamber of Commerce and Industry (ACCI)
7. Australian Council for Private Education and Training (ACPET)
8. Commerce QLD
9. CY O'Connor College of TAFE
10. Australian Mines and Metals Association Inc (AMMA)
11. Enterprise Registered Training Organisation Association (ERTOA)
12. Service Skills Australia (SSA)
13. TAFE SA
14. Queensland Tourism Industry Council (QTIC)
15. The International Centre of Excellence in Water Resources Management
16. The Community Services and Health Industry Training Advisory Board Victoria (CSHITB)
17. National Quality Council (NQC)
18. Department of Innovation Industry, Science and Research (DIISR)
19. The Housing Industry Association (HIA)
20. TAFE Directors Australia (TDA)
21. National Industry Skills Committee (NISC)
22. Queensland Resources Council (QRC)
23. Master Builders Australia (MBA)
24. TVET Australia
25. State Training Board Western Australia
26. Department of Education and Training, WA
27. Department of Further Education, Employment, Science and Technology (DFEEST), South Australia
28. Skills Tasmania
29. National Farmers' Federation (NFF)
30. TAFE NSW – North Coast Institute