

**Productivity Commission**

**Review of the National Agreement on Skills and  
Workforce Development**

**Submission from the South Australian Government**

December 2019



## **South Australian Government submission to the Productivity Commission Review of the National Agreement on Skills and Workforce Development.**

The South Australian Government is committed to delivering a skilled and adaptable workforce and recognises the importance of vocational education and training (VET) in supporting economic development and jobs. Engagement of industry in planning for the VET system is critical to ensuring the supply of skilled workers meets local industry need. Through well-developed planning systems, complemented by local industry intelligence, States and Territories can quickly respond to emerging needs and adjust settings within the local market to adapt to changes in industry and skill requirements.

The National Agreement on Skills and Workforce Development (NASWD) has been the vehicle for driving national VET reform. Since NASWD was developed the nature of the economy and skill requirements has changed significantly. Our education and training systems have not kept pace with the new demands of labour markets and the economy, which feature less structured and more varied career paths. We continue to deliver traditional educational products in traditional ways, and work-integrated learning models are still largely confined to apprenticeships and traineeships. The VET system needs to respond to those changes and deliver skills in flexible, responsive and agile ways. A National Agreement is appropriate way to approach the partnership between the Commonwealth and States and Territories.

South Australia is strongly of the view that to be effective the VET system needs to combine national consistency in relation to such things as regulation with responsive local (state and territory) funding and management of training services. There is an opportunity to coordinate or consolidate national capability to support knowledge development, including in relation to costing and performance benchmarking, as a resource and reference for all jurisdictions and stakeholders. The governance mechanisms recommended in the Joyce review, that is establishment of a National Skills Commission (NSC), National Careers Institute (NCI) and Skills Organisation (SO) reforms could provide an institutional foundation for national governance but only if designed within the framework of cooperative federalism described broadly in this Submission. This approach builds on the strengths of the current VET system and avoids the risk of distraction from core business because of misplaced reform effort.

The Government of South Australia provides the following submission as a shareholder in the VET System. This submission outlines key points of interest in the areas of:

- Intergovernmental cooperation (relates primarily to ToR 1,2 and 3)
- Roles and responsibilities of Commonwealth and State and Territory Governments (relates primarily to ToR 1 and 2)
- Informed choice and pathways, including post-study work rights for international students (relates primarily to ToR 4, 5 and 6)
- Government investment in training (relates primarily to ToR 3, 5 and 6)
- System governance and performance (relates primarily to ToR 1, 2 and 7)

South Australia would welcome further engagement in the Productivity Commission review to provide more evidence in support of the positions outlined in this submission.

# An effective VET system depends on intergovernmental cooperation

A key feature and strength of the VET system is its capacity for localised and/or specialised service responsiveness operating in a context of shared investment by customers, state and federal governments, and a framework of national consistency in relation to things like quality industry endorsed standards.

Given this, both Commonwealth and State and Territory governments have legitimate and important ongoing roles in the VET system. A well-managed approach of cooperative federalism is the appropriate way of achieving this. To respond to the dynamic needs of industry, a strong and stable VET system with long term commitment to both funding and policy objectives of governments is needed. A well-designed and governed National Agreement with clearly articulated outcomes is the appropriate mechanism to support intergovernmental cooperation in this sector.

## Roles and responsibilities of Commonwealth and State and Territory Governments

Current governance arrangements have contributed to a lack of clarity regarding roles of the Commonwealth and States and misalignment of policy objectives. The results are increased complexity of the system, confusion for stakeholders, and a lack of clarity around responsibility for targets and performance.

Role clarification and improved role articulation between the Commonwealth and States could streamline and improve the effectiveness of the VET system for the future.

### Role of the Commonwealth

During the period of the NASWD, the Commonwealth has changed its role and relationship with the VET system through significant changes both in the structure and level of its funding supports and incentives, and involvement in service delivery, primarily through specific interventions and assistance. These interventions impact on the performance of the system at the local level but are not subject to the same planning and accountability requirements required of States and Territories.

The impacts of Commonwealth changes are far reaching, cause confusion, can undermine state priorities, and can result in significant cost increases for States and Territories. For example, the approach to full cost recovery of ASQA's regulatory approach effectively shifts this cost from the Commonwealth to States and Territories. Increasing regulatory costs and compliance are routinely identified as a key impact on the viability of RTO business models, and the limitations of price elasticity in student fees result in cost barriers to accessing both subsidised and fee for service VET. To ensure viability of training providers and affordability of training for students, subsidy rates will need to be reviewed in the context of increased costs resulting from this significant change to the operating environment.

VET would benefit from a more reciprocal accountability approach by the Commonwealth. This could extend to Commonwealth (shared) accountability for targets and performance indicators affected by their specific interventions.

Governance could be strengthened by reflecting the national VET sector leadership role that most appropriately rests with the Commonwealth. This role includes coordinating and leading national reforms in partnership with States and Territories. Based on cooperative federalism, the NASWD

could articulate deliverables associated with the role of the Commonwealth, including the role and scope of the NSC, NCI and SOs.

The Commonwealth Government, through the NSC, could play a role in developing a consistent framework for skills forecasting and developing a longer-term strategic agenda for workforce planning and engagement to facilitate improvements to productivity and participation.

It is vital to ensure that a national approach reflects and accommodates jurisdictional differences and meets local need. The South Australian investment planning process is informed by a range of qualitative inputs including local intelligence gathered by the state-based Training and Skills Commission's Industry Skills Councils. To adequately respond to emergent opportunity and market diversity it is important that jurisdictions can continue to support state-based purchase priorities at whole of economy and regional levels.

Monitoring and performance management of the system would benefit from improved data collection, greater data linkage and insights led by the Commonwealth.

## Roles of States and Territories

South Australia designs and purchases training and related services to drive strategic operational objectives. In line with the Intergovernmental Agreement on Federal Financial Relations South Australia advocates that States and Territories should retain primary responsibility for service delivery – including purchasing training, VET market development, accessibility and pathways and program delivery. State governments have deep engagement with local industry and a nuanced understanding of the skills needed to respond to economic priorities. States and Territories can quickly respond to emerging needs and adjust settings within the local market to adapt to changes in industry.

States and Territories operate contestable training markets that need to be strategically managed to ensure efficient and effective use of public funds. Subsidy pricing that reflects the local market including regional delivery and thin markets is critical to the stability of the training sector. States and Territories are best placed to determine training needs of the local economy and to set subsidy pricing that reflect the full cost of delivery which meets Government expectations of training that is relevant, accessible and high quality.

Evidence of the capacity for jurisdictions to deliver high quality training services that are responsive to student and industry need can be found in the South Australian approach to:

- developing the Upfront Assessment of Need (UAN) process, which contractually embeds enrolment standards in a uniform process that assess student suitability support needs prior to commencing VET to improve rates of retention and completion in publicly subsidised VET. The process includes literacy and numeracy assessment and access to free foundation skilling and Learner Support Services for students with complex needs.
- development and implementation of the Learner Support Services which provides wrap around student supports that are contextualised to individual student and their assessed complexity of need.
- implementing Skilling South Australia through investing in apprenticeships and traineeships to grow business, the economy and keep young people in South Australia.

## Informed choice and pathways

The terms of reference include consideration of options to ensure government investment in VET encourages increased participation in training by all Australians and is commensurate with the outcomes and benefits derived by individuals, business, industry, the local and national economy and society more generally. Clients (students and employers) of the VET system can often face a complex choice between a plethora of qualifications and numerous providers. The connection with employment opportunities, whether there is a return on out of pocket costs and the quality of training on offer is often unclear.

The changing nature of work and the need to support mobility across the labour market, and movements in and out of the labour force, highlights the importance of a life-long learning approach to the pathways through which VET can be accessed. In the context of an increasingly contestable approach to government funding, reforms that reduce complexity (e.g. reform of training packages to rationalise qualifications and improve timeliness and relevance) and improve the quality of information available to potential clients are important. The NSC, NCI and proposed SOs could all be designed with this as an important focus.

Factors that are important to improving accessibility and pathways include:

- school to further education
- multiple entry points with bridging support where necessary
- support and concessions for target groups, including regional accessibility
- extending the post-study work rights of international VET students who are working in areas of skills need, particularly in regional South Australia.
- Permeable pathways between VET and higher education.

### School to further education

The opportunity to participate in VET has been a part of the secondary education system for more than 20 years. Engagement in South Australia has found that while the outcomes for students studying VET are positive, for many VET is merely a means to an end and does not reflect good practice or represent excellence in high-quality education and training. South Australia has recently released the VET for School Students Policy aimed at repositioning VET within secondary education in order to raise its profile across the schooling system, we would welcome national collaboration in this important area.

South Australia has engaged extensively with young people, influencers, schools and industry in recent years to identify barriers to students choosing and successfully participating in VET as a post-school pathway. Access to informed and impartial careers advice is regularly identified as a barrier to undertaking VET. This could be an area for consideration of the NCI.

### Multiple entry points with bridging support where necessary

As a way of responding flexibly to community need, South Australia has successfully developed and implemented the UAN process to enable customisation of learning and learner support. This is an example of states working flexibly to respond to need in the community and developing an approach that could be delivered nationally.

For some VET participants better linkages with Job Active service providers would improve pathways into appropriate training. In South Australia it has been necessary to require Job Service providers to sign off on its clients entering publicly subsidised training to avoid churn and withdrawals due to compulsion to undertake other activities.

Another focus of the terms of reference is on the potential for future funding arrangements to achieve further targeted reforms, including extending Language, Literacy, Numeracy and Digital Literacy (LLND) programs to all Australians. We would support development of a national strategy for LLND and a National Partnership Agreement for the delivery of targeted reforms and other recommendations from the Joyce review. While there is a need for a national strategy for LLND South Australia suggests that states and territories are best placed to deliver these services. The VET reform Roadmap currently being developed by Skills Ministers should form the basis for these reforms.

### Support and concessions for target groups, including regional accessibility

South Australia provides subsidy loadings for training in regional and remote areas and provides concession support to reduce fee barriers to participation related to capacity to pay. Concessions are offered for students who hold a health care card, hold a pensioner concession card, hold a Veteran's Affairs card or are a prison inmate. Students who are or have been under a Guardianship Order of a government Minister in Australia are exempt from paying fees for subsidised courses.

South Australian students who are facing significant barriers to completing their training, who are falling behind or at risk for withdrawing from training are able to access Learner Support Services free of charge. Learner Support Services provide case management support to help students address life, learning and other issues, and complete their training and transition to employment.

South Australia provides additional supports for apprentices and trainees that have barriers to commencing and/or accessing training required as part of the apprenticeship or traineeship.

### Extending the post-study work rights of international VET students who are working in areas of skills need, particularly in regional South Australia.

COAG agreed that VET and higher education are equal and integral parts of Australia's post-secondary education system. In line with the Commonwealth Government's introduction of two new skilled regional visas in November this year, providing an extra year of post-study work rights for international students who graduate from regional universities, South Australia is seeking the opportunity to work with the Department of Home Affairs to implement similar opportunities for high quality regional VET graduates.

Currently the visa for diploma or trade-qualified graduates only allows stays of up to 18 months. The short duration of the visa for the VET stream means it is extremely difficult for international VET graduates to gain the work experience they require to transition to other temporary or provisional visas.

Retaining quality VET graduates is important for South Australia's economic growth and enhances the state's ability to meet skills needs in key sectors such as disability, aged care, agriculture and hospitality – particularly in regional South Australia.



## Permeable pathways between VET and higher education

Opportunities for better integration and permeable pathways between VET and higher education, and to position VET as an equal and valued pathway for students should to be explored. Income contingent loans for students is one area that needs immediate review. Current settings for VET Student Loans have limited student choice and created barriers to undertaking vocational training at higher levels.

Qualifications at higher levels that are occupationally aligned should be more accessible to learners. South Australia supports a broad review of, and reforms to, income contingent loans for VET students to reduce barriers and ensure parity of choice between VET and higher education. In reviewing VET student loans, the connection to industry must remain at the forefront to ensure students are making choices that lead to real jobs.

## Government investment

Priority setting and coordination of public investment decisions could be improved if complemented by a robust social and economic priority framework and a shared understanding of the impacts of different market interventions, including the interaction between skills formation and productivity and participation objectives.

A joint commitment to, and focus on, the development and recognition of timely and relevant courses and other credentials, quality teaching and learning and confidence in assessment is fundamentally important. South Australia would support delivery of these through the VET reform roadmap with support through the NASWD.

A deeper and shared understanding of the public and private benefits of training for individuals and industry is needed to ensure government investment drives productivity, is targeted to industry needs, supports participation and delivers quality outcomes. A shared approach to VET investment by government, industry and learners would further support targeting of government funds to areas of highest priority.

There are three main considerations for national funding arrangements:

1. **Purchasing training within jurisdictions** - States and Territories are closest to industry and need flexibility to determine the best approach to meeting local skill needs. A major component of State and Territory Government investment in VET is subsidies that make training affordable. Factors in determining subsidies include:
  - the cost of training
  - the operating environment for providers
  - gap between economic need for skills and the working age population's current skill levels
  - proportion of regional delivery
  - additional services that respond to need, for example learner support services.
2. **Operation of a contestable and managed VET market** - State and Territory Governments play a significant role in operation of a contestable VET market that provides choice and access for students and industry. This includes balancing diversification of the supply of training with the significant ongoing role of public providers. The role of the state is particularly important in thin markets, market failure, and where there is a strong reliance on public provision of training in an environment of fewer large and many more smaller training providers.

3. **Delivery of agreed reforms** - reforms to the VET system including design of training products and delivery approaches to meet industry need, and better information to support informed choice, will support greater return on Government investment in VET. These will be delivered through the VET reform roadmap and should be supported through national funding arrangements.

## System performance

The VET system has experienced significant and ongoing change. Some of these changes have worked for and against the objectives of the NASWD.

As a consequence of both a changing context and shortcomings in governance, there has not been a stable focus on the outcomes sought in the NASWD. This is manifest in the growing tension between funding levels and aspirational targets, absence of functional fit for purpose national governance arrangements and strategic leadership, and role confusion between governments and with stakeholders. Further, misalignment of policy objectives between the Commonwealth and States and Territories along with funding changes at both levels have significant and sustained impacts on the training market to deliver skills required for the modern economy.

While there has been progress against the objectives of the current NASWD the outcomes and reform priorities could be clarified and updated. The governance arrangements that support ongoing management of the objectives could be significantly improved to enable a focussed continuous improvement culture within the VET system. These changes would position the NASWD to effectively support future workforce needs, build a VET system that is responsive to the changing needs of a modern economy and assist in restoring confidence among stakeholders.

To improve system performance the policy and investment framework needs to reflect contemporary requirements. This will need a clearly articulated role for VET in driving productivity and supporting participation, and a shared understanding of its inherent relationship to industry and economic development.

Current reviews and reforms in the VET sector will have a significant impact on the VET landscape for the coming decade and should form the basis of future targets and reform activities delivered under national funding arrangements. South Australia's priorities for national reform include design of qualifications and other credentials that respond to current and emerging industry needs; delivery approaches that are flexible and meet the needs of industry and students; building the capacity and capability of the VET sector; and repositioning VET within secondary education and clearly articulated pathways between school, VET and higher education.

Targets under NASWD and the performance framework for measuring success could be designed to better reflect the roles and associated accountabilities of both Commonwealth and State and Territory Governments. Targets and the performance framework could be better aligned with areas that each level of government can effectively manage. They should be reviewed and re-set to reflect the rapidly changing labour market context in which the VET system will need to operate in the future compared with the context that determined the form and substance of the last NASWD.

South Australia supports the delivery of the Performance Information for VET projects, particularly relating to student and employer surveys, creating enduring data linkages, improving market information and VET data streamlining to increase transparency in the VET market.