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Member for Kurrajong

Review of the Skills and Workforce Development Agreement
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Commissioners

Thank you for the opportunity to provide an initial response to the Productivity Commission's review of the National Agreement for Skills and Workforce Development (NASWD).

The NASWD contributes to a cohesive vocational education and training (VET) system for all Australians, and, along with its subordinate national partnership agreements, has provided the framework for key reforms in the VET sector over the last decade.

This initial response provides a snapshot of the ACT's unique economy, and skills and VET funding profile; highlights the increasing disparity in VET funding between the Australian and ACT governments; gives an overview of the crucial role of the public provider in the ACT; and provides broad comment against the terms of reference.

The ACT's economy and skills profile is unique

The ACT is a small jurisdiction with a unique economic profile and the most highly educated population in the country. Its economic output by industry sector differs from other jurisdictions', and is comparably more reliant on the public sector and professional, scientific and technical services (Figure 1). For these structural reasons, the ACT's workforce tends towards qualifications clustered at the higher Australian Qualifications Framework (AQF) levels, with nearly 53 per cent of the ACT labour force having attained a bachelor's degree or higher and nearly 77 per cent having attained at least a Certificate III.

The ACT's unique labour market also means that its VET sector is quite different from those in other jurisdictions. In addition to traditional VET qualifications, such as those in the skilled trades, key support roles across knowledge sectors depend on VET-qualified workers with mid-level technical skills (equivalent to AQF levels 5-6). The overall higher skill level of the workforce, in combination with a growing knowledge sector, means that higher VET qualifications are more in demand in the ACT than in other states and territories. In response to this, the ACT Government funds proportionately more higher-level qualifications than other states and territories (Figure 2).

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Funding

Since 2008-09, the ACT Government has significantly increased its contribution to VET, both through provision of contestable funding and budget allocations to the Canberra Institute of Technology (CIT), the ACT's public provider. During this time, the ACT has sustained a commitment to funding higher-level qualifications; by contrast, several states withdrew public funding for courses at these levels after the 2014 expansion of the VET FEE-HELP loan program.

At a national level, however, total spending on VET, not including the Australian Government's provision of income-contingent loans (first under VET FEE-HELP then as VET Student Loans), has and continues to decline (Figure 3). Between 2005-06 and 2015-16, Australian Government VET funding declined, from \$5.9 billion to \$5.7 billion, despite increasing enrolments. Meanwhile, funding for school and higher education increased by 30 per cent and 52 per cent, respectively, over the same period.

Also noteworthy is that the overall level of total government recurrent expenditure per annual hour of training decreased between 2008 and 2016. For Australia, this went from \$17.50 per hour in 2008 to \$15.29 (in 2016 AUD). For the ACT, a small jurisdiction where providers cannot benefit from economies of scale available in its larger counterparts, and where higher-level technical training is more prevalent, ACT Government expenditure has been consistently higher. Figure 4 shows the change in hourly funding rate of VET in the ACT.

The role of the public provider

In small jurisdictions, where providers are faced with thin markets that prevent them from leveraging economies of scale, it is crucial to recognise the role of the public provider in taking up the slack, and delivering education and training in areas of societal and skills needs. The ACT Government recognises this important role and provides an annual budget allocation to the CIT to deliver an agreed number of training hours, which enables CIT to plan and deliver courses more efficiently.

CIT plays a major role in building the skills profile of the ACT workforce. In 2017, CIT trained 86 per cent of all government-funded technicians and trades workers, and 97 per cent of all government-funded professionals (compared to its base market share of 72 per cent). It also trained 79 per cent of all hospitality workers, in support of one of the ACT Government's key areas for economic development.

In terms of student characteristics, CIT trains more than its share of younger Canberrans, particularly in the 15-19 and 20-24 age groups, and a greater proportion of learners with a disability. The same is true for learners coming from disadvantage, with CIT training a larger share of learners from the two most disadvantaged income quintiles (figure 5).

Learners at the centre

Skills Council has agreed the importance of placing learners at the centre of the VET reform agenda. From the learners' perspective, VET qualifications have four primary purposes:

1. In the *labour market*: qualifications provide entry to and progression in the workforce.
2. In *education*: qualifications provide students with the knowledge and skills they need to study at a higher level in their field or a closely related field.

3. In *society*: qualifications contribute to society by developing learners' appreciation of and contribution to culture and society.
4. For *individuals*: qualifications develop learners' capacity to meet their needs and aspirations, and contribute to their families and communities.

These multiple purposes of VET, and indeed a holistic view of the national training system, are articulated in the COAG Vision for VET and reform principles agreed by Skills Council.

Considerations for the review

Current arrangements under the NASWD reflect the Australian VET system's shared ownership. These enable states and territories to tailor VET to target their social and economic development needs, and support the crucial roles of the public provider in providing access and opportunity for all learners, and building the skill profile of the community.

With this in mind, key considerations for the Productivity Commission should be:

- that a national approach to funding and pricing would not necessarily account for the statistically small but key differences of the ACT's and other small jurisdictions' economic and skills profiles, and VET systems
- the role of public provider in meeting educational and skills needs, particularly in thin markets and in smaller jurisdictions
- policy frameworks and funding arrangements which provide a sustainable platform for public providers across the country, as anchor institutions, enabling them to fulfil their legislated obligations and meet the broad spectrum of learners' and employer needs
- the multiple roles of VET, including enabling courses to enable learners to meet their individual needs and aspirations, providing pathways for disadvantaged learners, assisting young Australians to obtain vocational qualifications, and upskilling and reskilling existing workers.

Thank you once again for the opportunity to provide initial comment to inform the Productivity Commission's review of the NASWD. I look forward to receiving the interim report in March 2020, and trust the timeframes for response will provide an opportunity to provide further information and considered feedback.

Yours sincerely



Andrew Barr MLA
Chief Minister

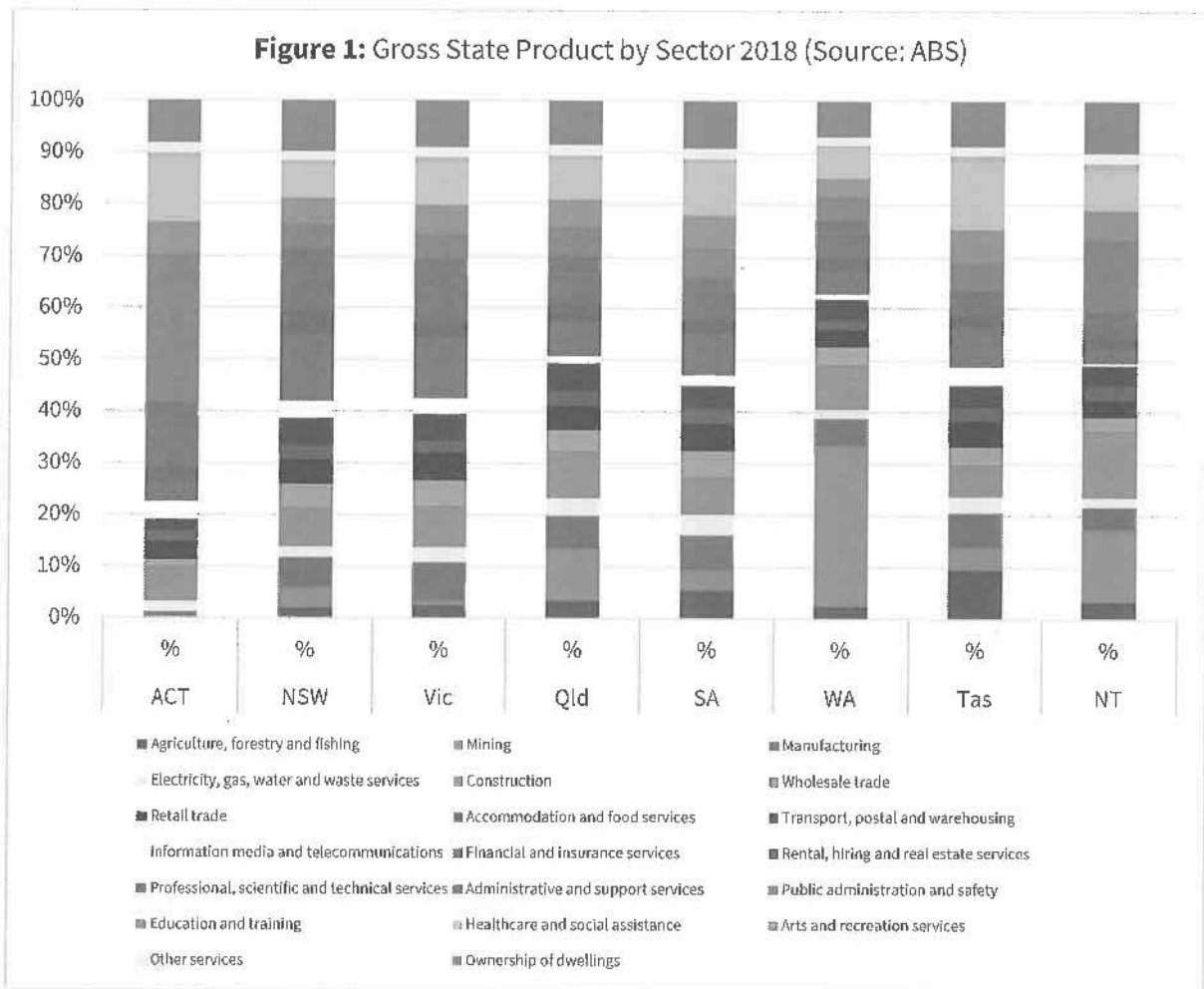


Figure 2: Funded enrolments by qualification level (full AQF qualifications only)

Source: NCVET, Government Funded VET, 2017

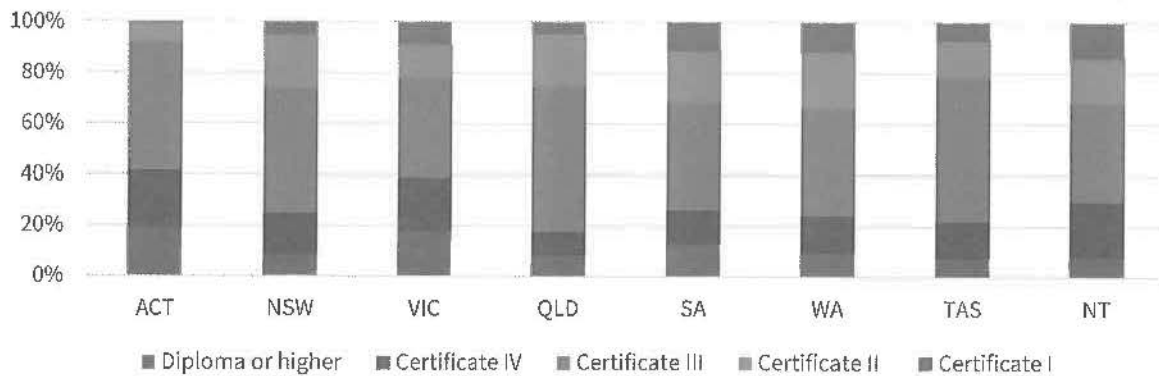


Figure 3: Funding for VET in the ACT (\$'000)
 (Source: ACT and Australian Government budget papers)
 Note: 2018-19 funding is projected

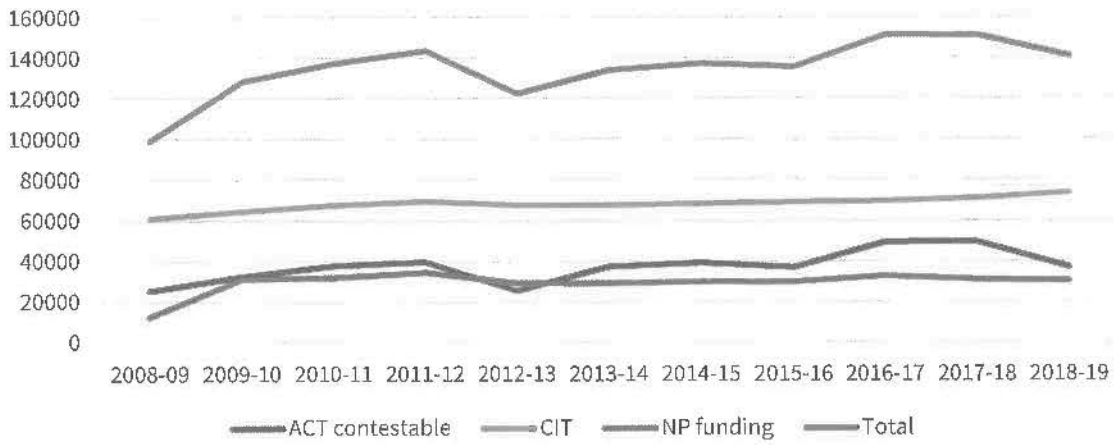


Figure 4: Total ACT government recurrent expenditure per annual hour of training 2008-16 (2016 AUD)

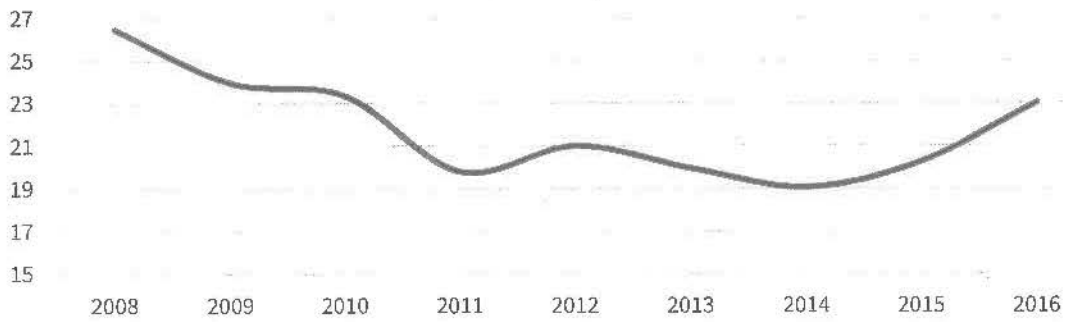


Figure 5: CIT provision to equity groups
 (Source: NCVET Government-funded VET 2018)

