

**Skills for recovery:  
The vocational education  
system we need  
post-COVID-19**

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## **About us**

The Mitchell Institute for Education and Health Policy at Victoria University is one of the country's leading education and health policy think tanks and trusted thought leaders. Our mission is to improve evidence-based health and education policy, to increase access and opportunities in education and health for all Australians.

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# Introduction

The COVID-19 crisis has created unprecedented global upheaval, creating conditions as unpredictable and challenging as we have ever seen. New and bold economic and social policies are required for Australia to navigate a recovery, and beyond that, a pathway to inclusive and sustainable economic growth.

Human capabilities - particularly those developed through schooling and tertiary education - will be more critical than they have ever been in this endeavour.

As we enter new phases of readjustment, what skills will be in demand? How can those who have faced job-losses or disruption best retrain and re-engage? What about young people, with their pathways out of school and tertiary studies interrupted? What's the role of government, and of industry, in this new world?

Vocational education and training (VET) is a key component of Australia's education and training system. However, the sector is not currently equipped to respond to these questions with the agility and reliability that's required. Many involved in Australia's VET system have been concerned about the state of the sector for some time. Many on the ground are feeling battle-weary from the never-ending rounds of reviews and reforms, which never seem to deliver sustainability and coherence.

The time is ripe for some bold decisions. The Prime Minister signalled in an address on 26 May that reforms to the VET sector will be a key pillar of the Government's recovery agenda. He pointed to the complexity and 'clunkiness' of the sector, and the 'lack of information and oversight', stating emphatically that 'it's time' to make some changes.<sup>1</sup> States and territories are also turning their attention to new reform directions in VET, as well as an escalation in co-operative effort towards the national VET Roadmap, and on 'JobTrainer', a 'skills for recovery' funding package.

However this need for a renewed focus is not just a matter for government. Government policies reflect community values, and historically VET has not been valued as it should across the community. These perceptions have been compounded by poorly conceived and implemented policies, in some cases exploited by unscrupulous providers.

In all the negativity, we can forget the quality providers, committed staff, and students who have just been getting on with it – quietly doing good things. There are providers who work hard to deliver quality, relevant training despite a minefield of changing regulations, funding settings and training package requirements. There are students who persevere in finding and completing the right course for them, despite a lack of information, confusing pricing arrangements and high up-front costs for many courses. Many employers remain committed to and engaged in the system.

Many parts of the VET system are succeeding despite, rather than because of, the policy environment. There is a clear need to build on the sector's strengths and successes, while eliminating practices that have posed the greatest threats to the quality of learning students receive. This requires policymakers to recognise the value that VET delivers to the economy, and create policy settings that reward and grow that value, rather than undermine it.

As Australia finds a course through many unknowns, this paper sets out what we do know about VET policy in Australia, and how it can enable the sector to thrive.

We know how things *have been* until now, and the many challenges the VET system has faced – some inherent to its very nature, others more the result of policy failings. We also know, to a large extent, how things *should be* – and this should be our guiding light.<sup>2</sup>

This enables us to identify **10 ways forward**, to create the VET system we need, as we recover from the COVID-19 crisis and embark on the future.

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<sup>1</sup> Prime Minister Scott Morrison, *Address to the National Press Club*, 26 May 2020 <https://www.pm.gov.au/media/address-national-press-club-260520>

<sup>2</sup> The paper builds on the considerable body of work on tertiary education undertaken to date by the Mitchell Institute. See Reference List for a full list of publications that have informed this report.

# 10 ways forward

1. Establish a **clear point of policy direction and leadership** for the VET sector, in a way that mobilises and empowers all stakeholders to deliver on a shared purpose.
2. Prioritise **effective governance, with government and industry having clearly defined roles**. Decisions about strategic direction, system-wide objectives and funding should rest with government, taking into account input from industry, providers and communities.
3. Create a **simpler, fairer national funding arrangement** between the Commonwealth and state and territory governments which positions student needs and equity objectives as central, through a 'baseline plus loadings' approach, and a workable model for student loans.
4. **Simplify the subsidies** – agree on a national process for harmonising the approach to subsidy setting across the country, based on the costs of quality provision.
5. **Develop a comprehensive national quality framework** – drawing on the model of regulation for the Australian early childhood sector – that defines standards of provision ('inputs') and encourages and rewards continual improvement.
6. **Rethink assessment to ensure confidence and trust in the skills and competencies attained**. Explore more independent assessment (partnering within industry and professional bodies), moderated assessment (through a government entity) and including more information on levels of proficiency for higher-level VET qualifications.
7. Ensure the **system responds to industry skills needs at a macro and micro level**. From the top down: establish an authoritative source of quality, timely information on national skills needs, taking into account VET, higher education and skilled migration. From the bottom up: empower providers to partner with industry and community to meet local and regional needs.
8. **Design competencies and qualifications that reflect what is required in the workplace**, by working with industry to address current needs, and looking beyond the current world of work, to prepare individuals to succeed in the future labour market.
9. Establish a **national platform for sharing information on careers** so students, and those who advise them, can make more informed choices.
10. **Capitalise on the momentum from the crisis**, and the appetite for reform, to reshape VET in Australia.



# *How things are: Persistent challenges*

VET in Australia has faced some long-term persistent challenges.

By its very nature VET is complex – playing different roles for multiple stakeholders. It has been poorly served by our federation, and has never been able to settle on the ‘right’ role and level of input from industry. It has also suffered from some poor public policy design, and has never been able to achieve a truly national system, nor a well-functioning market in which public and private providers have a clear and valued role. Alongside this, the quality and regulatory arrangements have not been up to the task, too often playing ‘catch up’ rather than setting the agenda.

These problems have continued to dog the sector in different forms for many years, never quite being fixed by the many and varied reforms. Major enduring challenges are detailed below:

## *1. VET is complex because it serves multiple masters*

The VET system has multiple direct stakeholders. On the one hand, its mission has always been to meet industry needs, and in doing so help create employment. On the other, its purpose is to provide individuals with education, training and opportunities for self-improvement. This ‘multi-stakeholder’ nature of VET has fuelled the complexity we have seen in funding mechanisms for so long, as the different beneficiaries of VET each contribute to meeting the costs of delivery.

In other parts of the education system there is a greater willingness to invest in education as a broad public good. For example, public funding for schooling is there to support the individual student to access that education by funding part or all of the cost of provision. The acquisition of learning is considered a worthwhile investment in itself, irrespective of its direct translation into employment. The balance between public funds and private contributions varies, and can be the subject of debate, however the objective of that funding is rarely contested.

Whereas in VET policy, the benefits for industry and employability have been given greater prominence, relative to intrinsic benefits. It follows then that the question of ‘who benefits’ more directly drives political views on ‘who pays’.

Public funding for VET serves the individual student, but only so far as that student’s choices align with stated policy objectives and labour market priorities, as defined by government, in consultation with industry.

This has resulted in a complicated framework, in which subsidies are set according to multiple rationales – cost of delivery, public versus private benefits and incentives to direct students to areas of greatest skills need. This multi-layered approach creates a system which is difficult for students and industry to navigate, and in which public ‘value’ is difficult to determine.

## *2. VET hasn’t been well served by the federation*

Australia’s federal system has many advantages, but the drawbacks are often all too plain as well. VET has sat uncomfortably across state, territory and Commonwealth fences throughout its history. This has resulted in an absence of clear and authoritative policy leadership.

At some points in time truly national bodies have been formed;<sup>3</sup> at others, a more co-operative approach has been taken through intergovernmental agreements;<sup>4</sup> and sometimes states and territories have struck out on their own.<sup>5</sup>

There have also been protracted periods of wrangling between levels of government, characterised by the age-old arguments about the benefits of Australian Government system leadership versus more local control. This federal tension can be most acute where VET’s operations intersect with the school system and the higher education system, each more clearly the preserve of the state/territory and Commonwealth governments respectively.

At no point has there been adequate clarity regarding the roles and responsibilities of different governments within the federation. This has caused the complex and opaque funding arrangements we have long seen in VET – and an overall trend of cost shifting and declining investment.

**Why is VET funding so complex?**

Unlike the higher education sector, VET funding is set by state/territory and Commonwealth governments, and each one can apply different subsidy rates. There are over 2,100 accredited courses and qualifications, which can attract different subsidies. Added to this are the layers and loadings that mean the possible permutations of funding levels can rise exponentially.

As Table 1 shows, all these variations result in hundreds of thousands of possible funding rates. The graph shows how each layer of complexity increases the possible permutations of funding rates for an individual course. The eight different state and territory funding models increase the number of possible subsidy rates for a course eightfold. The array of different course types in the VET sector (for example, whether the course is for apprentices or not) attracts a different rate of subsidy, increasing the possible rates by an even higher multiplier. The final layer of complexity is whether a loading is applied, such as for Indigenous students, or a regional location. These layers of complexity mean that, compared to other parts of the education system, VET has the least transparency and consistency in government contributions to the cost of the course – creating intense complexity for students and providers.

**Table 1: VET qualification funding**

2,400 qualifications	x 9 jurisdictions	x 4 course types	x 5 types of student loadings	=	At least 430,000 possible funding rates
There are over 2,400 qualifications in the VET sector. Each one can have many different types of electives or requirements meaning that one course funding amount can be difficult to capture.	Each state and territory sets its own funding rates. The federal government also sets maximum amounts for income contingent loans.	The same course can have different funding rates depending on whether it is an apprenticeship/traineeship, government subsidised, full fee or recognition of prior learning (RPL).	Regional students, Indigenous students, students with a concession card, young people and retrenched workers can all receive different loadings.		The result is that there are at least a possible 430,000 permutations of VET funding.

**Source:** NCVET (2018b).

<sup>3</sup> The Australian National Tertiary Authority (ANTA) existed from 1992 to 2004. SkillsAustralia, which later became the Australian Workforce and Productivity Agency existed from 2008 to 2014.

<sup>4</sup> The Rudd/Gillard era saw a move towards this cooperative approach through the COAG framework – the *National Partnership Agreement on Productivity Places Program* (2008), *National Partnership Agreement on Skills Reform* (2012) the ongoing *National Agreement on Skills and Workforce Development* (2012). The same approach has been used by the Coalition Government more recently *National Partnership on the Skilling Australians Fund* (2018).

<sup>5</sup> For example Victoria’s *Victorian Training Guarantee* market reforms from 2009-2011.

### 3. VET has not yet found the 'right' role for industry

Another significant conflict in the VET system arises from long-running debates regarding the role industry should play in shaping policy and funding objectives - both at the macro (national strategy) and micro (course content) level.

Arguments run strongly both ways. Some argue that industry must play a direct role in shaping course content and assessment, to maximise returns on public investment by ensuring training integrates well with the needs of the economy.<sup>6</sup> Others say when industry influence is too dominant, training narrows to discrete functions, and other goals of the system, such as adult further education and engagement, are either overlooked or relegated to second-order priorities.<sup>7</sup>

The pendulum has swung backwards and forwards over time, with industry-based bodies sometimes playing a dominant role, and at other times less so.

While the 'right fit' for industry might always remain contested, there is scope for policymakers to do more to help industry find its role.

### 4. VET has suffered from poor public policy design

On top of these inherent challenges, VET has also suffered from some policy missteps, where reforms have at best missed the mark, or at worst contained some fatal flaws.

Various state and Commonwealth governments have made reforms to aspects of the system – such as barriers to entry, incentives for providers, incentives for students, funding mechanisms and quality control – without taking a holistic approach to the system overall. Pulling different policy levers in different directions at different times has resulted in a haphazard reform process, and some unintended consequences.

Perhaps the most notable example is the 'perfect storm' that was created over a number of years, when the Victorian Government made its VET funding 'contestable' and open to the private sector,<sup>8</sup> around the same time as the Commonwealth Government extended income contingent loans to higher-level VET students via VET FEE HELP.<sup>9</sup> Both appeared to be sound reforms in their own right, however when combined they created a VET marketplace where providers had very low barriers to entry and strong incentives to enrol and complete as many students as possible. Students also had inadequate information about the quality of offerings and lower upfront costs.

The Victorian reform package achieved some of its objectives. Between 2008 (pre-reform) and 2011 (post-reform) the Victorian Training Guarantee was estimated to have led to a 35 percentage-point growth in enrolments overall, with strong growth in enrolments with private providers.<sup>10</sup> However, as is well documented, this rapid growth also came with quality issues.<sup>11</sup> A quality 'blitz' instigated by

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<sup>6</sup> Many submissions to the recent review conducted by Steven Joyce made these arguments. Commonwealth Department of Prime Minister and Cabinet (2019) *Strengthening Skills: Expert Review of Australia's Vocational Education and Training System* 'Joyce Review', 53-64. <https://pmc.gov.au/sites/default/files/publications/strengthening-skills-independent-review-australia-vets.pdf>

<sup>7</sup> G. Moodie and L. Wheelahan (2018) *Implications of the Human Capability Approach for Relations between Australian Vocational and Higher Education*, Monash Commission, Monash University [https://www.monash.edu/data/assets/pdf\\_file/0009/1476144/Moodie\\_Wheelahan1.pdf](https://www.monash.edu/data/assets/pdf_file/0009/1476144/Moodie_Wheelahan1.pdf)

<sup>8</sup> Ministerial Statement, *Securing Jobs for Your Future - Skills for Victoria*, August 2008 <https://www.voced.edu.au/content/ngv%3A31982>

<sup>9</sup> Following 2007 amendments to the *Higher Education Support Act (2003)* which extended the Commonwealth Higher Education Loan Program (HELP) to full fee-paying students undertaking high level vocational study (Diploma, Advanced Diploma, Graduate Certificate and Graduate Diploma qualifications).

<sup>10</sup> F. Leung et al. (2014) *Early impacts of the Victorian Training Guarantee on VET enrolments and graduate outcomes*, Melbourne Institute of Applied Economic and Social Research, National Vocational Education and Training Research Program Report. <http://hdl.voced.edu.au/10707/305927>

<sup>11</sup> Victorian Department of Education and Training (2015) *Review of Quality Assurance in Victoria's VET system*, Deloitte Touche Tohmatsu <http://hdl.voced.edu.au/10707/367665>.



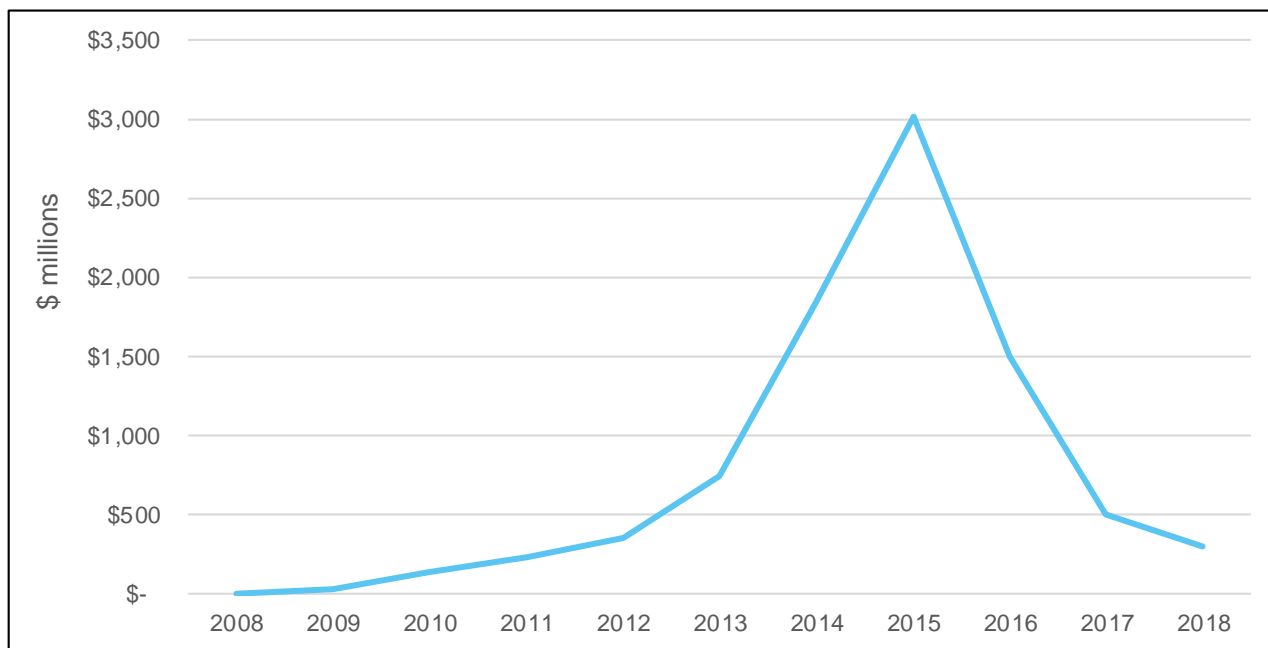
the Victorian Government in response saw 62 providers investigated, 18 having their contract terminated, and more than \$41 million of funding earmarked for recovery.<sup>12</sup>

In the years following its introduction, Commonwealth VET FEE-HELP funding started flowing rapidly to eligible students, intensifying demand for courses while relying on other parts of government to regulate the proliferation of emerging providers and ensure quality student outcomes. A later Auditor-General's review concluded that the VET FEE-HELP program was 'not effectively designed or administered.'<sup>13</sup>

Together this combination of policies resulted in a considerable waste of public funds – public borrowing for VET FEE-HELP increased from \$26 million in 2009 to over \$2.9 billion in 2015.<sup>14</sup> This damaged the reputation of VET as a trusted part of the education sector, worthy of government investment.

Figure 1 below shows the considerable spike in VET student loans from 2012 to 2018.

**Figure 1: VET student loans total funding 2008-2018 (2018 dollars)**



**Source:** Commonwealth DET (2018); NCVET (2011, 2014, 2018a, 2019).

### 5. VET has never achieved a national system

There has never been a truly national system of delivering vocational education in Australia. This does not necessarily mean a Commonwealth-run system, but a cohesive national system. Despite many steps forward in this regard, there remains considerable variation in funding, rules, regulations, processes and prices from one state or territory to another.

For example, the level of investment varies greatly from one jurisdiction to another, and growing disparities are emerging over time.

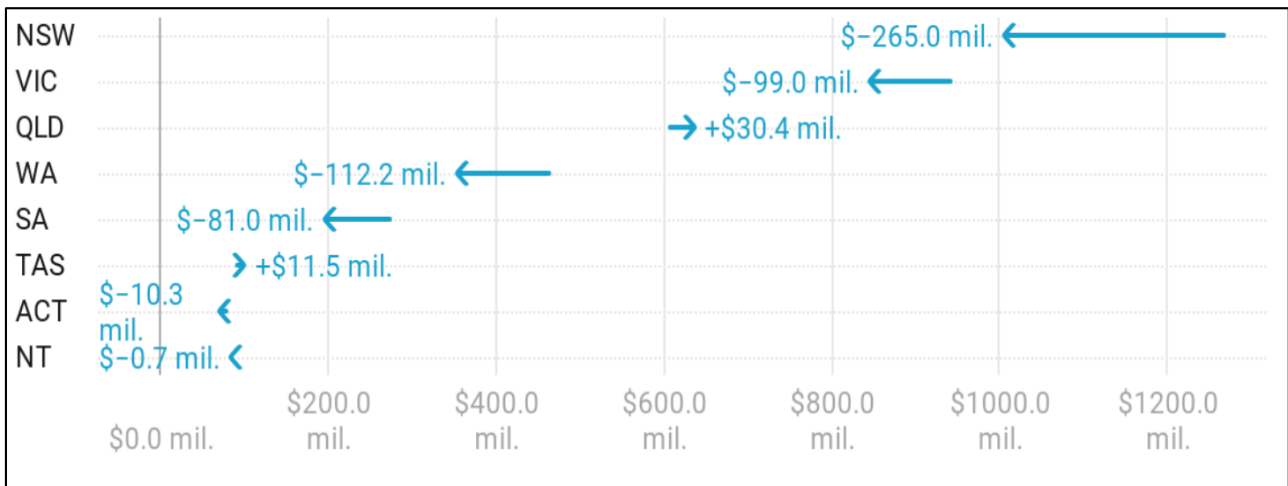
<sup>12</sup> Media Release, Premier of Victoria, 'Restoring Confidence in Victoria's Training System', 11 August 2016 <https://www.premier.vic.gov.au/restoring-confidence-in-victorias-training-system/>

<sup>13</sup> Commonwealth Auditor General's Report, *Administration of the VET FEE HELP Scheme*, December 2016, <https://www.anao.gov.au/work/performance-audit/administration-vet-fee-help-scheme>

<sup>14</sup> Commonwealth Department of Education and Training (2016) *Redesigning VET FEE-HELP: Discussion Paper*, [https://docs.employment.gov.au/system/files/doc/other/redesigning\\_vet\\_fee\\_help\\_discussion\\_paper\\_0\\_0.pdf](https://docs.employment.gov.au/system/files/doc/other/redesigning_vet_fee_help_discussion_paper_0_0.pdf)

Figure 2 shows the change in recurrent funding from state and territory governments from 2006 to 2018. It clearly shows that most states and territories spent less on VET in 2018 than they did in 2006 – before the VET FEE-HELP spending peak.

**Figure 2: Real change in state and territory recurrent funding 2006-2018 (\$million)**



**Source:** Commonwealth DET (2018); NCVET (2011, 2014, 2018a, 2019).

**Note:** Figures adjusted to 2018 dollars. In 2017 recurrent funding definitions were changed which resulted in a break in the time series. This may result in some variation when comparing pre-2017 data to post-2017 data.

Differences in funding and subsidy levels across the country create complexity and impose costs on providers, industry, students and the economy overall.<sup>15</sup> For providers, they create barriers to operating across state borders and growing their operations. For industry, they create costs in navigating eight ‘systems’, creating a disincentive to engage in training at all.

For students, funding complexity and disparity is most apparent in the great variation in subsidy levels (and eligibility) in different states and territories for the same course. This causes confusion and uncertainty, potentially driving students to choose higher education instead (if this option is accessible to them), or to disengage from post-secondary education and training entirely.

## 6. The ‘market’ for VET has never functioned well

Despite successive governments’ best efforts to create an effective ‘marketplace’ for VET, the distinctive nature of VET, and the multiple purposes it serves, mean that VET markets can never work in the same way as the markets for many other services across the country.

The VET sector has been vulnerable to a range of market failures and equity issues. This is in part due to the structure of the ‘market’, which is really a market for public subsidies within a public/private market for education and training services: that is, one in which government funding and student choice both influence provision. This mixed market also has mixed objectives - ‘public good’ objectives that drive funding by government, as well as ‘private good’ objectives for students, and profit maximisation for some VET providers.

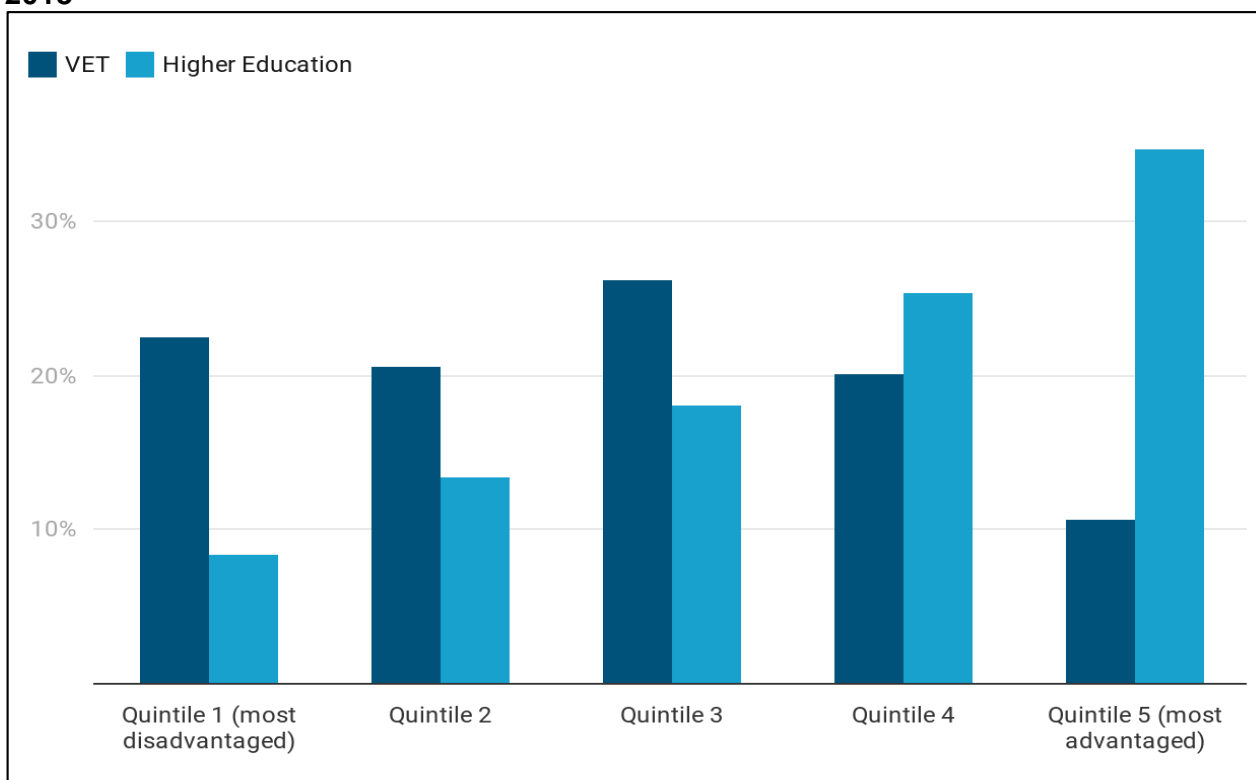
The VET market is also diverse, with a large number of providers and courses. A student or company making a decision to engage in training faces great complexity and almost overwhelming choice. Subsidy levels vary, change frequently and do not reflect the actual cost of delivery. Key information regarding predicted skills needs and provider and course quality is inadequate and inaccessible.

<sup>15</sup> Commonwealth Department of Prime Minister and Cabinet (2019) *Strengthening Skills: Expert Review of Australia’s Vocational Education and Training System* Joyce Review <https://pmc.gov.au/sites/default/files/publications/strengthening-skills-independent-review-australia-vets.pdf>

These challenges are intensified due to the wide diversity among VET students, including many young people, and those with low levels of education or other vulnerabilities.<sup>16</sup>

Figure 3 shows the socioeconomic profile of VET students and higher education students, highlighting the greater proportion of disadvantaged students in the VET cohort. It shows that more VET students come from disadvantaged backgrounds, compared to higher education students.

**Figure 3: Socioeconomic status of currently enrolled VET and higher education students, 2018**



**Source:** Mitchell Institute analysis of Longitudinal Surveys of Australian Youth (LSAY), Y15 – Wave 4. Commonwealth DESE (2019).

Education is also, by its nature, a commodity that is ‘experienced’, which means it is difficult to assess the quality of the product until after a course of study is completed.

### 7. The regulatory and quality regime has not been up to the task

In recent decades the VET regulatory and quality assurance framework has arguably failed in its core task of maintaining the integrity of the sector, resulting over time in an erosion of confidence in VET training and qualifications.

The regulatory function in VET is not one ‘framework’, but rather a number of regulatory agencies and approaches. It also includes enforcement and quality assurance functions undertaken by Commonwealth and state and territory departments as part of the administration of funding contracts for providers and student loans. In the past these different parts of the system have been quite separate, creating disconnects between the provision of funding and the regulation of quality.

<sup>16</sup> In 2018 16.2 per cent of VET students were aged 15-19, 35.6 per cent were in the bottom two quintiles on the Socioeconomic Indexes for Areas, Index of Relative Socioeconomic Disadvantage (SEIFA, IRSD) and 14.1 per cent were from a non-English speaking background, *National Centre for Vocational Education and Training (NCVER) (2019) Total VET Students and Courses 2018* [https://www.ncver.edu.au/\\_data/assets/pdf\\_file/0031/6925090/Total-VET-students-and-courses-2018.pdf](https://www.ncver.edu.au/_data/assets/pdf_file/0031/6925090/Total-VET-students-and-courses-2018.pdf)

Currently, the core regulator is the Australian Skills Quality Authority (ASQA) - the national VET regulatory body. Alongside this sits the Tertiary Education Quality and Standards Agency (TEQSA), to the extent that it regulates VET providers operating as dual sector institutions. Additionally, there are the Victorian Registration and Qualifications Authority (VRQA) and the Training Accreditation Council (TAC) with limited jurisdictions in Victoria and Western Australia respectively.

As pointed out by Valerie Braithwaite in her 2018 review, ASQA has a challenging role in maintaining and improving quality in the VET sector, regulating 'a continuum of organisations ranging from the highest performers to those acting on the edges of almost criminal enterprise'.<sup>17</sup> Over its short history its regulatory practice has evolved from predominantly processing applications to the development of a risk-based model, and more recently to the introduction of an audit model.

However this 'risk-based' approach still falls short, by failing to encourage or reward excellence or improvement.

**VET FEE-HELP: Example of disconnection between provision and regulation**

Prior to 2016, entitlement to VET FEE-HELP assistance simply required the student to meet various criteria; including citizenship or residency requirements, holding a tax file number, being enrolled in a relevant course and completing a form. These criteria did not relate to the conduct of the provider offering the course. Once the student was entitled to VET FEE-HELP assistance, payment was made to the provider regardless of whether the Commonwealth Department held any compliance concerns. This disconnect led to great waste of public funds, harmed many students and reduced trust in the system overall.

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<sup>17</sup> V. Braithwaite (2018) *All eyes on quality: Review of the National Vocational Education and Training Regulator Act 2011* Report [https://docs.employment.gov.au/system/files/doc/other/all\\_eyes\\_on\\_quality\\_-\\_review\\_of\\_the\\_nvetr\\_act\\_2011\\_report.pdf](https://docs.employment.gov.au/system/files/doc/other/all_eyes_on_quality_-_review_of_the_nvetr_act_2011_report.pdf)

## The result

Taken as a whole, these seven persistent challenges have created a system hampered by:

- **Declining overall public investment** – funding overall has eroded or stagnated over time, as governments have prioritised other parts of the education system.
- **A quality framework that has not been up to the task** – no cohesive regulatory system across the country, and an approach based on risk mitigation rather than encouraging excellence.
- **A poorly functioning market** – a policy and funding framework that assumes students, providers and industry have the information they need to make informed decisions – when this is not the case.
- **Complexity in funding** – a funding environment characterised by inconsistencies, lack of oversight and accountability, resulting in funding not delivering the desired outcomes.
- **Unequal treatment of students** – different funding arrangements based on the state or territory in which a student lives, and inequity across tertiary education.

There have been failings on the part of both policymakers and providers. Flawed policies have resulted in unscrupulous behaviour from some providers, and in turn governments have responded with blunt reforms and a compliance approach, rather than a strong future vision for the sector.

The result has been a policy environment that has acted as a handbrake rather than a support. It hasn't adequately activated the capability of the sector, nor encouraged aspiration or excellence.

What VET needs in order to become the sector we all need it to be, is for government to get the parameters right to allow the system to do what it does best.

It needs strong leadership from government, with a clearly defined role for industry within its governance framework. It needs explicit objectives defining what it should be delivering, for students, industry, and communities. It needs a culture of continuous improvement, driven from the bottom up, which builds the capability of providers, teachers and trainers, allowing them to succeed on their own terms.

# How things should be: Priority changes

In 2020 one thing is for sure – a cobbled together VET system based on twentieth century assumptions won't cut it anymore.

Old industries and ways of working are rapidly making way for new sectors and new business models. Much has been written about the globalisation of our economy and both the disruption and benefits technology brings<sup>18</sup> – but few could predict the test those theories would undergo in 2020, as global forces beyond our control have required many to work and learn in entirely new ways.

No longer do we train once, for one career, and in few cases do we offer long-term loyalty to employers in exchange for long-term security. The COVID-19 crisis has intensified labour market churn, and created many new career-changers in the hardest-hit parts of the economy.

How do governments and businesses best invest in human resources and capital in this environment, and how do individuals make decisions to best invest in themselves? These questions are particularly pertinent for school leavers and young people who find themselves forging a future in very uncertain times.

Amidst all this, we see a number of design principles for the VET sector that provide a guiding light. These are the signposts towards the simpler, more cohesive, high-quality, high-functioning VET system we need more than ever – if we can harness the will and opportunity to bring it into being.

## 1. Provide clear policy leadership

The multi-faceted nature of VET means it needs clear and firm leadership from government to moderate between competing stakeholders and priorities. This includes working collaboratively with stakeholders to identify the best possible solutions to enduring system challenges, and creating a sense of collective accountability, in which everyone has a role to play in making the system work.

What is referred to as 'VET' comprises a highly diverse range of providers and courses,<sup>19</sup> and exists to serve individual students, industry and ultimately the economy. For example, apprenticeships are a distinct form of training, with multiple parties playing a role in the process. They cannot be treated in the same way as individual enrolments in on-campus or online courses. VET in Schools is also unique, with different goals and needs to the rest of the system.

Tensions are inherent, and we can't reshape the system to work for one stakeholder, and expect it to still work perfectly for another. Policymakers need to recognise that – as in all areas of public policy – public interest objectives need to be defined, and considered trade-offs need to be made.

There have been many reviews, consultations and collaborative (often bureaucratic) processes between the Commonwealth and states and territories. However, a clear national vision has often been lacking. The current VET Reform Roadmap<sup>20</sup> process is perhaps suffering from this slow, 'decision by committee' approach.

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<sup>18</sup> The concept of 'disruptive technology' was first introduced in the mid-1990s, and 'disruptive innovation' has since become a framework for understanding the effect of technology on business models, J. L. Bower and C. M. Christensen 'Disruptive Technologies Catching the Wave', *Harvard Business Review*, January – February 1995. <https://hbr.org/1995/01/disruptive-technologies-catching-the-wave>

<sup>19</sup> In 2018 there were 4.1 million students enrolled in nationally recognized VET training in Australia, with an estimated 22.7 per cent of the Australian resident population aged 15-64 participating in nationally recognized VET training. *National Centre for Vocational Education and Training (NCVER) (2019) Total VET Students and Courses 2018* [https://www.ncver.edu.au/data/assets/pdf\\_file/0031/6925090/Total-VET-students-and-courses-2018.pdf](https://www.ncver.edu.au/data/assets/pdf_file/0031/6925090/Total-VET-students-and-courses-2018.pdf)

<sup>20</sup> Commonwealth Department of Education, Skills and Employment, (2020) *Vocational Education and Training Reform Roadmap: Consultation Draft* [https://docs.employment.gov.au/system/files/doc/other/vet\\_reform\\_roadmap\\_consultation\\_draft\\_0.pdf](https://docs.employment.gov.au/system/files/doc/other/vet_reform_roadmap_consultation_draft_0.pdf)



The formation of the new National Skills Commission, now under interim leadership, is a step in the right direction. Legislation has been introduced<sup>21</sup> to establish the entity and appoint a permanent Commissioner. The Commission is intended to advise the Commonwealth Minister and Department on Australia's workforce skills needs, the performance of the VET system, efficient prices for VET courses and the public and private return on government investment. It is intended to 'work with' state and territory governments, employers and other stakeholders. It has already produced its inaugural report in response to the COVID-19 crisis.<sup>22</sup>

It looks to be a good model to provide more cohesive, national leadership to the VET system - something that has been missing for some time. However the next step must involve meaningful engagement from stakeholders to inform the process, and a shared vision for the sector.

### **What can be done?**

*Establish a clear point of policy direction and leadership for the VET sector, in a way that mobilises and empowers all stakeholders to deliver on a shared purpose.*

## **2. Establish an effective governance framework, with defined roles for government and industry**

Industry has a large stake in the VET system, and should have strong input into its strategic direction and what's taught – through individual companies and via representative peak bodies. However, ultimate decisions about the system overall should rest with government.

The Commonwealth is currently trialling a new form of industry input, with Skills Organisation pilots in three key industry areas: human service care, digital technologies and mining.<sup>23</sup> The consultation process held in late 2019<sup>24</sup> heard that, while an industry-driven approach was critical, many felt that students, Registered Training Organisations, unions and regulators also had an important stake in the system. There was also a widespread view that training packages were too detailed and inflexible, with the current training product development process slow and unworkable.

Many participants noted that there would be merit in overall responsibility for standards of training packages and their design sitting with the National Skills Commission, as there was a view that this would provide a clear point of authority and responsibility, especially in the case of disputes. Many noted the variable quality of the current Skills Services Organisations, including their connection to real workplaces.

This type of feedback highlights the complexity of the industry/government relationship in VET. It also shows that simply handing the reins to industry representative bodies is not the simple solution to VET's problems, and that industry guidance must be guided by a clear vision for the whole sector.

### **What can be done?**

*Prioritise effective governance, with government and industry having clearly defined roles. Decisions about strategic direction, system-wide objectives and funding should rest with government, taking into account input from industry, providers and communities.*

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<sup>21</sup> National Skills Commission Bill 2020 (Cth)

[https://www.aph.gov.au/Parliamentary\\_Business/Bills\\_Legislation/Bills\\_Search\\_Results/Result?bld=r6539](https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r6539)

<sup>22</sup> National Skills Commission (2020) *A Snapshot in time: The Australian Labour Market and COVID-19*,

[https://www.nationalskillscommission.gov.au/sites/default/files/2020-06/NSC\\_a\\_snapshot\\_in\\_time\\_report.pdf](https://www.nationalskillscommission.gov.au/sites/default/files/2020-06/NSC_a_snapshot_in_time_report.pdf)

<sup>23</sup> Commonwealth Department of Employment, Skills, Small and Family Business (2019) *Skills Organisations: National Co-design Discussion Paper* [https://docs.employment.gov.au/system/files/doc/other/so\\_discussion\\_paper\\_0.pdf](https://docs.employment.gov.au/system/files/doc/other/so_discussion_paper_0.pdf)

<sup>24</sup> Commonwealth Department of Employment, Skills, Small and Family Business (2020) *This is What we Heard: Skills Organisations Co-design Consultations* [https://docs.employment.gov.au/system/files/doc/other/so\\_this\\_is\\_what\\_we\\_heard\\_1.pdf](https://docs.employment.gov.au/system/files/doc/other/so_this_is_what_we_heard_1.pdf)

### 3. Create a simpler, fairer national funding arrangement

We may need to go back to the drawing board on VET funding. The time is right, and political appetite apparent, to radically reshape the funding architecture of the Australian VET system.

The Prime Minister said in his recent speech that the current National Agreement for Skills and Workforce Development between the states and territories and the Commonwealth is 'fundamentally flawed', with the Commonwealth having 'no line of sight on how States use this funding'.<sup>25</sup>

There are a number of complex issues to be addressed in any new approach.

#### **Pricing**

One significant challenge in funding VET is the lack of specificity regarding exactly what funding 'buys'.

#### **What does funding 'buy'?**

Funding *rates* are only one part of the equation. There is also a need to calculate the *quantity* of funding.

The VET sector is outcome-based, meaning the quantity of learning is not specified in the standards. Instead, the sector uses 'student contact hours' or SCH that are agreed to by state and territory governments. These SCH are a common measure that helps identify the quantity (number of hours per unit) of funding a provider will receive. However, SCH do not reflect the actual number of hours of training delivered to students. Providers funded for 100 SCH are not necessarily delivering 100 hours of training.

As Table 2 shows, this lack of specificity regarding the amount of training VET providers are required to deliver in order to receive funding is unique in Australia's education system.

This model means that a provider delivering 100 hours of face-to-face training may receive the exact same funding as a provider delivering one hour of face-to-face training of the same unit of study.

In effect, this creates an incentive to deliver less training to maximise profit. A provider producing a unit of study at less cost isn't necessarily more 'efficient'. It could simply mean that the student is getting a poorer learning experience while being certified as having the same outcome.

This is why specifying 'inputs' on public funds, along with overhauling VET quality assurance, may help governments and Australians have more confidence in what they are getting when they invest in the VET sector.

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<sup>25</sup> Prime Minister Scott Morrison, *Address to the National Press Club*, 26 May 2020 <https://www.pm.gov.au/media/address-national-press-club-260520>

**Table 2: Comparisons of measures used to calculate funding by education sector**

Sector	Measure used to calculate quantity of payment	Assessment, care or instruction requirement
Child care	Hours of care	Provision of one hour of supervised care.
Schools	Per student per year	Schools usually required to provide 25 hours of instruction per week over 40 weeks of a year.
Higher education	Equivalent full-time student load (EFTSL)	Assessment usually equivalent to approximately 20,000 words per full time year of study (1 EFSTL) or other form of assessment (for example, a mixture of exams, performance, participation in tutorials etc.).
VET	Student Contact Hour	No sector wide standard to measure quantity of assessment and no defined requirement for quantity or type of instruction.

### **Equity**

The VET system will struggle to meet its objectives unless it works for students as well as industry, and this includes acknowledging the additional needs of some students.

In preparing students for the workforce, VET also performs a broader social function in facilitating engagement and economic participation, particularly for disadvantaged groups or disengaged post-school learners. Adequately acknowledging this dual role means designing funding mechanisms that provide the additional support disadvantaged or vulnerable students may need to succeed in their training.

In times of economic challenge this is even more critical. Disadvantaged groups in Australia, already at risk of being left behind in an economy requiring higher levels of skills and education, are now finding themselves in a recession as well.

Particular attention needs to be paid to young Australians at greatest risk of falling through the cracks in the critical 'school to adulthood' transition. Recent Mitchell Institute analysis of the impact of COVID-19 on apprentices and trainees<sup>26</sup> forecasts the number of school leavers classified as NEET (not in education, employment or training) is estimated to increase by approximately 50 per cent to over 10 per cent of school leavers, due to reduced access to these training opportunities. More broadly, youth unemployment is rising more sharply than unemployment overall. In June 2020 the youth unemployment rate increased 0.4 percentage points, rising to 16.4 per cent.<sup>27</sup> (ABS, 2020).

In this environment, governments need to ensure training works for students. This means more flexible delivery modes, which better suit the needs of those juggling work or family commitments with training – this is particularly the case for older learners or those up-skilling after a job loss or

<sup>26</sup> P. Hurley (2020) *The Impact of Coronavirus on Apprentices and Trainees*, Mitchell Institute for Education and Health Policy, <http://www.mitchellinstitute.org.au/wp-content/uploads/2020/05/Impact-of-coronavirus-on-apprentices-and-trainees-FINAL.pdf>

<sup>27</sup> Australian Bureau of Statistics (ABS) (2020) 6202.0, Labour Force Australia (June 2020).

career shift. It may also mean the development of innovative practices such as ‘live work’ on simulated worksites on campus where industry partners cannot be found.

In addition, Commonwealth student support payments should be urgently reviewed, to ensure support is available to those who need it most, and that the amount is adequate. Living expenses while studying can be significant barrier to training.

VET also needs an approach to funding that acknowledges student needs and equity objectives from the very start – rather than as an afterthought.<sup>28</sup> This idea is discussed further below.

In order to succeed in work, some students may need to develop additional skills alongside the key competencies of their course. This may include improved literacy, numeracy and digital skills, or the ability to communicate and collaborate effectively in a workplace. School leavers may have very different needs to students who have been working for decades and are up-skilling.

A national funding framework which takes a ‘baseline plus loadings’ approach would acknowledge the costs associated with training different cohorts of students.

There is already a precedent for this, as currently all states and territories, except Tasmania and the ACT, provide loadings for students in regional areas. Victoria, New South Wales, Western Australia and the ACT also offer loadings for Aboriginal and Torres Strait Islander (ATSI) students. There are also well-developed national examples to draw on, such as the Schooling Resources Standard (SRS) used in school funding.<sup>29</sup>

A national approach would improve transparency, and help to remove some of the disincentives to taking on students with additional needs. This could be coupled with equity objectives and accountabilities for the entire sector.

### ***Fund the public system properly***

The VET sector delivers the skills and trades that power our economy and contribute to social cohesion and individual wellbeing. There is therefore a strong public interest rationale for an adequately funded public system. This means resourcing the public VET system properly, recognising the parallels with the public school system, not positioning public institutions as simply another provider with some additional community service obligations.

A starting point for fairer funding for public VET institutions would be to recognise where VET providers perform a similar task to other publicly-funded parts of the education system, yet do not receive the same levels of public funding or recognition.

There is full public funding for school-level education in the public system. Therefore secondary school equivalent certificate level qualifications should be fully funded, with no additional costs to students, when they are a student’s first qualification at that level. This would ensure that students choosing VET in secondary school are not disadvantaged, and would fulfil the commitment of government to equip all students with a secondary school-level education.

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<sup>28</sup> The Joyce Review highlighted that there are over 100 support programs for different cohorts of disadvantaged students. Commonwealth Department of Prime Minister and Cabinet (2019) *Strengthening Skills: Expert Review of Australia’s Vocational Education and Training System* Joyce Review’ <https://pmc.gov.au/sites/default/files/publications/strengthening-skills-independent-review-australia-vets.pdf>

<sup>29</sup> D. Gonski et al (2011) *Review of Funding for Schooling*, 193 <https://docs.education.gov.au/system/files/doc/other/review-of-funding-for-schooling-final-report-dec-2011.pdf>

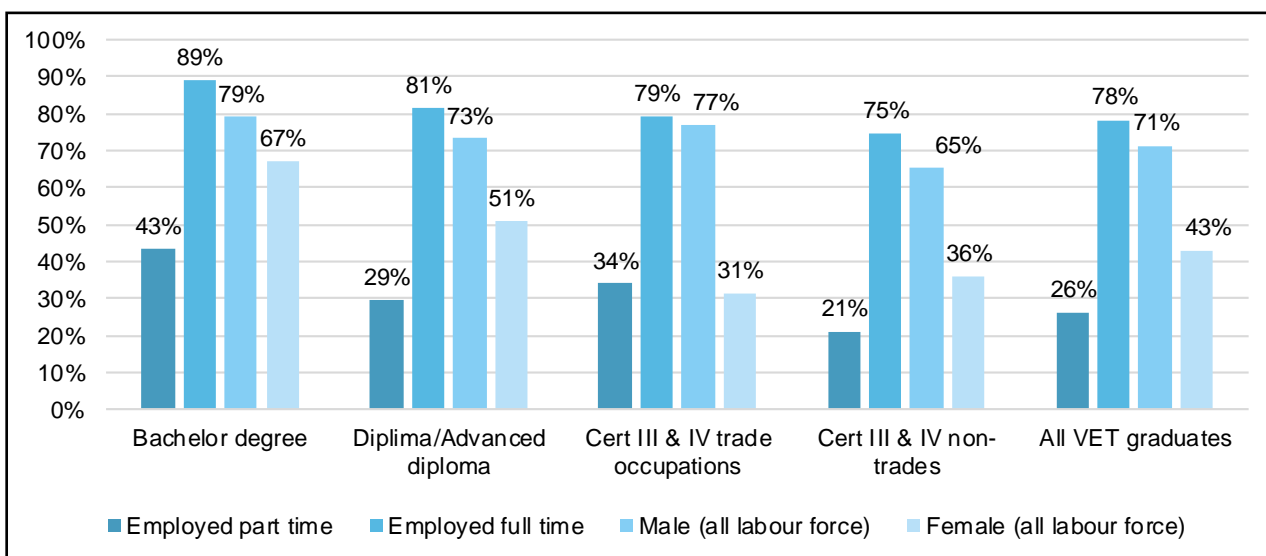
## Removing inconsistencies with higher education

Expanding access to income contingent loans has been seen as one solution to alleviating some of the inequities between VET and higher education funding, by removing up front costs to VET students. This has been proposed most recently by the Productivity Commission, as part of its review of the National Agreement on Skills and Workforce Development.<sup>30</sup>

Although the proposal has many advantages, a feasibility study commissioned by the Mitchell Institute in 2015 showed that, under current income contingent loan settings, a significant proportion of loans to VET students would not be repaid. This is because many VET graduates, particularly women, would never earn enough to meet repayment thresholds.<sup>31</sup> A more recent analysis at Figure 4 below shows this is still largely the case.

As this analysis below shows, less than half of women who are in the labour force earn above the current HELP (Higher Education Loan Program) repayment income threshold. This analysis also shows that only 26% of part-time workers with vocational level qualifications earn above the current repayment threshold in any given year.

**Figure 4: Percentage of all employed workers earning above the 2020-21 HELP loan repayment threshold by highest qualification level**



**Source:** Mitchell Institute analysis of ABS Census TableBuilder data.

Therefore, for income contingent loans to work, the repayment thresholds and repayment rates would need to be significantly lowered. Further, the interaction between income contingent loan settings and other parts of the tax and family assistance system is complex, and needs to be carefully considered.

These factors will need to be taken into consideration by Commonwealth and state and territory governments as they work to establish a new national funding model.

## What can be done?

*Create a simpler, fairer national funding arrangement between the Commonwealth and state and territory governments which positions student needs and equity objectives as central, through a 'baseline plus loadings' approach, and a workable model for student loans.*

<sup>30</sup> Productivity Commission (2020) *Review of the National Agreement for Skills and Workforce Development: Interim Report* <https://www.pc.gov.au/inquiries/current/skills-workforce-agreement/interim>

<sup>31</sup> T. Higgins and B. Chapman (2015) *Feasibility and design of a tertiary education entitlement in Australia: Modelling and costing a universal income contingent loan* <https://www.vu.edu.au/sites/default/files/feasibility-and-design-of-tertiary-education-entitlement-in-australia-mitchell-institute.pdf>

#### 4. Simplify the subsidies

State and territory governments have long argued for localised decision-making in the setting of VET subsidies (and in some cases fees), despite the complex and opaque web of pricing this has created across the country. However in the current environment, characterised by growing online learning and economic uncertainty, this trade off may need to be reconsidered.

There would be much greater efficiency in having one national process to determine consistent qualification subsidy levels based on the cost of quality delivery, with loadings to reflect additional needs. This 'cost of delivery plus loadings' approach has been implemented in schools with the Schooling Resource Standard<sup>32</sup> and in health via the Activity Based Funding model.

The New South Wales Independent Pricing and Regulatory Tribunal (IPART) attempted this pricing exercise in VET in 2013.<sup>33</sup> It was also considered in a 2015 review in Victoria,<sup>34</sup> which recommended government fund courses on an assessment of a reasonable cost to deliver the service. Input costs to consider would include teacher costs, course specific costs (such as equipment) and shared costs (such as administration costs). However there has never been any framework established for a nationally consistent approach.

As with schooling and hospitals, there will be a need to consider additional needs and loadings to make the model work for all parts of the system, and in different parts of the country. However, taking a baseline approach to begin with should improve consistency.

This common methodology for the setting of subsidies would not preclude state and territory governments from choosing the courses they considered worth subsidising – preserving their ability to use the VET system to manage and grow the local economy.

The recent Joyce Review acknowledged the arguments for national consistency, as well as state and territory government assertions that sub-national governments had a greater understanding of local economies. The review proposed<sup>35</sup> that the Commonwealth take the lead in developing nationally consistent course subsidies, while states and territories continue to allocate those subsidies on a competitive basis to quality-assured providers. They could do this based on their assessment of industry demand, and an approach to skills forecasting agreed between the Commonwealth and the states and territories. The review recommended this task be led by the National Skills Commission.

The current Productivity Commission review of the National Skills and Workforce Development Agreement has been guided more by the principle of 'subsidiarity' in the federation – devolving responsibility for decision-making to a more local level where possible. The Commission's interim report canvasses a scaled back option – implementing greater transparency and consistency in the methodology used to calculate subsidies, but preserving state and territory governments' role in subsidy setting.<sup>36</sup>

This option would at least simplify the current arrangements, and provide the basis for a more unified national approach in the future. The framework for implementing this should be a cooperative model, with all governments taking ownership of a shared approach.

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<sup>32</sup> D. Gonski et al (2011) *Review of Funding for Schooling*, 193 <https://docs.education.gov.au/system/files/doc/other/review-of-funding-for-schooling-final-report-dec-2011.pdf>

<sup>33</sup> NSW Independent Regulatory and Pricing Tribunal (IPART) (2013) *Pricing VET Under Smart and Skilled: Issues Paper* [https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/issues\\_paper\\_-\\_pricing\\_vet\\_under\\_smart\\_and\\_skilled\\_-\\_april\\_2013.pdf](https://www.ipart.nsw.gov.au/files/sharedassets/website/trimholdingbay/issues_paper_-_pricing_vet_under_smart_and_skilled_-_april_2013.pdf)

<sup>34</sup> B. McKenzie and N. Coulson (2015) *VET Funding Review: Final Report* to the Victorian Government [https://www.education.vic.gov.au/Documents/about/departments/VET\\_Funding\\_Review.pdf](https://www.education.vic.gov.au/Documents/about/departments/VET_Funding_Review.pdf)

<sup>35</sup> Joyce Review, 73.

<sup>36</sup> Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review: Interim Report* <https://www.pc.gov.au/inquiries/current/skills-workforce-agreement/interim/skills-workforce-agreement-interim.pdf>



In the context of the COVID-19 crisis, we would argue greater national consistency is preferable. We have seen much more learning online, in many cases making the physical location of a provider less relevant. Added to this is the pressing need to ensure complexity and inequity are not a barrier to undertaking training when it is needed most. The need for state and territory governments to engage in a national process of subsidy setting is increasingly urgent in this context.

However, any process of subsidy harmonisation needs to have as its starting point the need to fund not just provision, but quality provision, including funding the additional needs of disadvantaged students. It also needs to be implemented alongside agreed performance indicators which incentivise this outcome.

### **What can be done?**

*Simplify the subsidies – agree on a national process for harmonising the approach to subsidy setting across the country, based on the costs of quality provision.*

## **5. Create a strong, national regulatory and quality framework**

The right quality framework and incentives are critical to improving VET in Australia, and if done right, should drive and reward positive provider and student behaviour across the system.

What VET needs is a quality framework that counters providers' incentives to produce the most outputs in the cheapest possible way, and create incentives to deliver outcomes with real value to students, industry and communities. This includes policies to encourage (and reward) 'inputs' that are proven to lead to desirable outcomes – things like teacher expertise, learner facilities, hours of instruction and extra learner support.

The quality assurance and regulatory culture in VET has been one of compliance, with a focus on meeting baseline criteria. As noted by the Braithwaite review,<sup>37</sup> ASQA's model has evolved significantly since its inception, and it now takes a more comprehensive and sophisticated approach. However, it is still based on a risk-mitigation philosophy. As described by ASQA:

We direct our focus to identify and treat the most significant risks. Where identified issues are beyond our jurisdiction, we collaborate with other regulatory, funding and policy bodies to treat them. Our primary risk involves training providers that certify a student has competencies that do not reflect their skills, knowledge and attitudes.

The approach taken in the Australian early childhood sector is arguably better placed to achieve higher quality outcomes across the board. In that sector the legislated National Quality Standard establishes seven 'quality areas', such as 'educational program and practice', 'relationships with children' and 'physical environment' against which providers are assessed and rated after an inspection.<sup>38</sup> This focus on inputs known to deliver improved outcomes, and the discipline of inspections drives a culture of improvement<sup>39</sup> in the ongoing delivery of a service.

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<sup>37</sup> V. Braithwaite (2018) *All eyes on quality: Review of the National Vocational Education and Training Regulator Act 2011* Report.

<sup>38</sup> There are seven quality areas as part of the early childhood education and care National Quality Framework introduced in 2012. The Framework is overseen by one national body - the Australian Children's Education and Care Quality Authority (ACECQA) <https://www.acecqa.gov.au/nqf/national-quality-standard>

<sup>39</sup> Over half of services rated 'working towards NQF' were assessed as 'meeting the NQF' on reassessment. Australian Children's Education and Care Quality Authority (ACECQA) *NQF Snapshot, Q1 2020* [https://www.acecqa.gov.au/sites/default/files/2020-05/NQFSnapshot\\_Q1May2020.pdf](https://www.acecqa.gov.au/sites/default/files/2020-05/NQFSnapshot_Q1May2020.pdf)

A key advantage of the early childhood quality framework is the more unified, national approach, and the co-operative role state and territory government departments play in undertaking assessments.

A similar approach could drive quality improvement in VET, which has parallels to early childhood services, including being a mixed market with varying levels of direct government oversight of provision. This approach would also yield reliable public information on provider quality, potentially in the form of ratings, something which has been very much missing in VET.

Another advantage of the approach taken in early childhood is that it aims to lift quality across the sector over time, for example by setting standards for workforce qualification levels to work toward over a number of years. Taking this approach in VET would place a greater emphasis on professional development, potentially driving a professionalisation of the sector's workforce over time.

### **What can be done?**

*Develop a comprehensive national quality framework – drawing on the model of regulation for the Australian early childhood sector – that defines standards of provision ('inputs') and encourages and rewards continual improvement.*

## **6. Create trust through better forms of assessment**

Another key driver of a high-quality VET system is a high-quality training outcome, and trust in the qualification and what it represents.

An effective way to drive improvements to these outcomes would be a changed approach to assessment. Currently, most training is competency-based and is assessed by the provider. There can be strong profit incentives to award qualifications, a disincentive to conduct rigorous assessment, and the competency-based system can encourage a 'baseline' approach to teaching and learning.

A recent Productivity Commission review has highlighted assessment in VET as a key area for reform, recommending the introduction of more 'proficiency' grading.<sup>40</sup>

Proficiency grading means providing students with a graded assessment – for example 'meeting' versus 'exceeding' a standard, or noting where a student has completed a course with an additional 'credit'. This type of additional information could help students to signal their level of ability and skill to employers, especially for higher-level VET qualifications, which assess more complex skills.

The Productivity Commission argues this would create incentives for students to attain higher levels of skill (because it positively affects job prospects and wages), provide better information to employers, and give the VET system the necessary status to compete with other routes (especially higher education). The Commission acknowledges that the VET system is not ready to adopt this approach across all skills areas. However it could be trialled and implemented where possible in areas where there is greater industry demand.

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<sup>40</sup> Productivity Commission (2017) *Shifting the Dial: 5 Year Productivity Review*, <https://www.pc.gov.au/inquiries/completed/productivity-review/report/productivity-review.pdf>

## What is a unit of competency?

Australia's VET system uses a system known as competency-based training to communicate what is taught. These competencies describe outcomes instead of a course of study. This means almost all standards in the VET sector explain what someone can do, like the unit below from the tourism, travel and hospitality training package.

This code identifies the unit, the training package, and the specialisation.

**SITHPAT006 Produce desserts**

Competency units describe tasks. They almost always start with a verb (such as produce, maintain, repair, operate etc.) and describe what you need to be deemed 'competent'.

Competency-based training has many advantages. It offers flexibility because providers have more freedom to design a course around student needs and abilities. The emphasis is on the outcome – the skill or competency that resulted from the unit – and not on how the unit is taught.

However, there are also drawbacks. Competency-based training has been criticised for devaluing broader skills and knowledge. Competency-based training can also mean more variation in quality. Because inputs (like the amount of face-to-face teaching a provider must deliver) are largely unspecified, two students can have vastly different experiences but end up with the same outcome.

Taking the example of the unit *SITHPAT006 Produce desserts*, there are lots of ways someone can produce desserts, of varying quality. While every student may achieve the same competency for this unit, the type of training they receive can result in huge variations in the quality of desserts that we may eat at a restaurant.

This is one reason why there have been calls for stronger sector wide assessment. It means there can be more trust and consistency in the outcomes that the VET system certifies.

Another improvement would be encouraging more independent assessment, particularly in cooperation with industry bodies. This is not new – it already happens in some licenced trades, but it's certainly not widespread in the sector. Several pilots are underway in Victoria following a recommendation from that state's Skills Commissioner in 2017,<sup>41</sup> with a select number of qualifications in commercial cookery, early childhood, carpentry, engineering and hairdressing.<sup>42</sup> Independent validation of qualifications would likely give both students and industry greater confidence in the process. Another option could be a greater role for government in moderating assessment, similar to the model used in senior secondary certificates.

## What can be done?

*Rethink assessment to ensure confidence and trust in the skills and competencies attained. Explore more independent assessment (partnering within industry and professional bodies), moderated assessment (through a government entity) and including more information on proficiency for higher level VET qualifications.*

<sup>41</sup> Victorian Skills Commissioner (2017) *Rebalance and Relaunch: Supporting Victoria's economy by enhancing Apprenticeship and traineeship pathways as a mechanism for skilling the future workforce* <http://www.vsc.vic.gov.au/wp-content/uploads/2017/11/Victorian-Apprenticeship-and-Traineeship-Taskforce-Report.pdf>

<sup>42</sup> Victorian Department of Education and Training (2020) *Vocational education and training Independent Assessment pilots*, <https://www.education.vic.gov.au/about/programs/Pages/VETindependentassessment.aspx?Redirect=1#link1>

## 7. Ensure the system is responsive to evolving skills needs

The concept of 'responsiveness' has been a key part of the political rhetoric in VET for some time. Many policymakers have sought to make the VET system more 'responsive' to industry skills needs through reforms to the training market that allow student choice to drive supply. Although various attempts have been made to use policy levers (such as subsidy rates) to signal areas of skills needs to students, the information provided is often insufficient to meaningfully alter students' choices.

Quality, timely intelligence on current and future skills needs is essential to a well-functioning VET system. It provides the signals students need to make informed choices about their own future, is critical to fulfilling VET's core mission to provide the skills the economy needs, and to maximising the return on public investment.

It is proposed that the National Skills Commission take this on as one of its key tasks. The legislation provides that the Commissioner will report to the Minister each year on Australia's current, emerging and future workforce skills needs. This will be published, and is intended to create an up to date resource for business and training providers, assist individuals to make informed decisions about learning, training and pathways, and assist Australian governments with a robust basis for policy development.<sup>43</sup>

Skills forecasting already happens in various settings – within state, territory and Commonwealth governments, as well as in academia and the private sector. However the proposed model will be an improvement if it provides an authoritative source, which takes into account VET, higher education and skilled migration to create a holistic picture of overall skills supply and demand in the country.<sup>44</sup>

Providers also play an important role in contributing to the 'responsiveness' of the sector. While the 'top down' advice from the National Skills Commission will be valuable at a macro-economic level, we also need policy settings that empower providers to work with industry to meet skills needs at the local level. This can be particularly useful in relation to large-scale projects or expansions in construction, mining or education and health services.

Further, the objective of 'meeting skills needs' should be interpreted broadly, and with a future focus. Skills needs should also mean meeting the needs of individuals as they transition through different jobs and develop new skills over the course of their working lives, including moving through pathways between the VET and higher education sectors, and through micro credentials, as flagged in the Review of the Australian Qualifications Framework (AQF).<sup>45</sup>

### What can be done?

*Ensure the system responds to industry skills needs at a macro and micro level. From the top down: establish an authoritative source of quality, timely information on national skills needs, taking into account VET, higher education and skilled migration. From the bottom up: empower providers to partner with industry and community to meet local and regional needs.*

*Design competencies and qualifications that reflect what is required in the workplace, by working with industry to address current needs, and looking beyond the current world of work, to prepare individuals to succeed in the future labour market.*

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<sup>43</sup> National Skills Commission Bill 2020, Explanatory Memoranda, [https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r6539\\_ems\\_0d9aff43-002b-4492-84c3-a1902982c163/upload\\_pdf/737703.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r6539_ems_0d9aff43-002b-4492-84c3-a1902982c163/upload_pdf/737703.pdf;fileType=application%2Fpdf)

<sup>44</sup> This alignment of skills forecasting across domestic education and training and migration to workplace under Skills Australia and its later incarnation the Australian Workforce and Productivity Agency (AWPA) which existed from 2008-2014.

<sup>45</sup> Commonwealth Department of Education, Skills and Employment (2019) *Review of the Australian Qualifications Framework: Final Report 'Noonan Review'* [https://docs.education.gov.au/system/files/doc/other/aqf\\_review\\_2019\\_0.pdf](https://docs.education.gov.au/system/files/doc/other/aqf_review_2019_0.pdf)

## 8. Improve information to better inform student choice

Students need good information on career options and pathways in order to make well-informed decisions about education and training. This is particularly the case now, as the economic crisis caused by COVID-19 is causing economic upheaval and career disruption for many Australians – young and old.

Schools are often poorly equipped to do this, and providers ‘selling’ course offerings are not well placed to provide an independent view. There is currently a plethora of websites and services, but they are disjointed and difficult to navigate.<sup>46</sup>

We need a national, comprehensive source of careers information, which should cover all post-school pathways across VET and higher education.

The National Careers Institute is being established by the Commonwealth to undertake this role. A consultation process to inform the Institute held in late 2019<sup>47</sup> heard that the current ‘careers sector’ in Australia is not a sector at all, with many competing voices, out of date information, and a lack of trust in some information sources. It found there was a need for national leadership, to define key concepts, build the evidence base by bringing together careers and skills research and data from government, industry and academia, and promote the benefits of career planning more broadly. It also heard there was a need to reduce duplication, and create a more coordinated sector with better linkages between schools, training providers and industry. Further consultations and co-design processes are planned for 2020.

There have been many government websites established in this area in the past, with arguably mixed results. In order to succeed, the National Careers Institute will need strong ‘buy-in’ from those already operating in this area.

One of its aims should also be to serve and build the capability of those who advise others on careers (teachers/trainers/employers) as well as students seeking information about their own pathways.

### **What can be done?**

*Establish a national platform for sharing information on careers so students, and those who advise them, can make more informed choices.*

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<sup>46</sup> G. Siekmann and C. Fowler (2018) NCVET opinion, *Work skills information: lots of data, too little co-ordination*, <https://www.ncver.edu.au/news-and-events/opinion-pieces/work-skills-information-lots-of-data-too-little-coordination>

<sup>47</sup> Commonwealth Department of Education, Skills and Employment (2020) *National Careers Institute Co-design Consultations: This is what we heard* [https://docs.employment.gov.au/system/files/doc/other/nci\\_this\\_is\\_what\\_we\\_heard\\_0.pdf](https://docs.employment.gov.au/system/files/doc/other/nci_this_is_what_we_heard_0.pdf)

## 9. Seize the moment

There has been much debate about the merits of different policy responses to the COVID-19 crisis – both health and economic. While major challenges remain at the time this report is being prepared, Australia's initial response has been regarded as a comparative success on both fronts.<sup>48</sup>

A number of key features<sup>49</sup> most likely contributed to the effectiveness of Australian governments' collective response to the initial crisis:

1. **Taking advice from subject matter experts** – from the start, Chief Medical Officers' advice was taken seriously, and was at the heart of government decision-making. Political leaders worked closely with those who had deep expertise and experience in the area.
2. **Having a clear framework for structuring that advice** – medical experts' advice was structured through the Australian Health Protection Principal Committee (AHPPC), made up of Australia's Chief Medical Officer and his state and territory counterparts. This forum created a streamlined, nationally co-ordinated voice.
3. **Being aware of timeliness and the need to act decisively** – decisions were taken with an understanding of the time-critical nature of the policy environment.
4. **Taking a collaborative, bipartisan approach** – political leaders from across the spectrum worked collaboratively together to face the crisis, most notably in National Cabinet, an entirely new forum established in March 2020.<sup>50</sup> It has been considered such a success the Prime Minister has announced it will continue, permanently replacing the more bureaucratic Council of Australian Governments (COAG) and other federal architecture.<sup>51</sup>

We have seen how things can get done in Australia – decisively, quickly and co-operatively, when the chips are down. Hopefully we can take some of these lessons into the medium term response to the COVID-19 crisis, especially in sectors where agility and cooperation are most urgently needed.

The complexity of VET, which has contributed to many of its past challenges, is also a source of agility to respond to uncertain times, if its adaptive potential can be harnessed. Add to this a renewed appetite for reforms to federal financial relations and industrial relations, and a 'laser like' focus on skills and jobs, and there has never been a policy and political environment more conducive to a bold reshaping of VET in Australia.

### What can be done?

*Capitalise on the momentum from the crisis, and the appetite for reform, to reshape VET in Australia.*

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<sup>48</sup> R. Glover, 'Australia's leader is winning the argument on the coronavirus', *Washington Post*, 22 April 2020 <https://www.washingtonpost.com/opinions/2020/04/21/australias-leader-is-winning-argument-coronavirus/>. N. Gan, 'How did Australia flatten its coronavirus curve?: Restrictions easing as infection rate continues to fall', *CNN.com*, 1 May 2020 <https://edition.cnn.com/2020/05/01/asia/australia-coronavirus-success-intl-hnk/index.html>

<sup>49</sup> Some of these have been identified by Grattan Institute policy experts, Stephen Duckett and A. Stobart '4 ways Australia's coronavirus response was a triumph, and 4 ways it fell short', *The Conversation*, 4 June 2020 [https://theconversation.com/4-ways-australias-coronavirus-response-was-a-triumph-and-4-ways-it-fell-short-139845?utm\\_medium=email&utm\\_campaign=Latest%20from%20The%20Conversation%20for%20June%204%202020%20-%201640715771&utm\\_content=Latest%20from%20The%20Conversation%20for%20June%204%202020%20-%201640715771+CID\\_26606be9e740ab483bf49958c5b9e633&utm\\_source=campaign\\_monitor&utm\\_term=explain](https://theconversation.com/4-ways-australias-coronavirus-response-was-a-triumph-and-4-ways-it-fell-short-139845?utm_medium=email&utm_campaign=Latest%20from%20The%20Conversation%20for%20June%204%202020%20-%201640715771&utm_content=Latest%20from%20The%20Conversation%20for%20June%204%202020%20-%201640715771+CID_26606be9e740ab483bf49958c5b9e633&utm_source=campaign_monitor&utm_term=explain)

<sup>50</sup> Office of the Prime Minister, Media Release 'Advice on Coronavirus', 13 March 2020 <https://www.pm.gov.au/media/advice-coronavirus>

<sup>51</sup> Office of the Prime Minister, Media Release 'Advice Following National Cabinet', 29 May 2020 <https://www.pm.gov.au/media/update-following-national-cabinet-meeting>



# Conclusion

It's time to take some big decisions to create the VET system we need to ensure a strong recovery from the COVID-19 crisis. We need all Australians, but particularly young Australians, to be able to access the education and training they need to be effective participants in, and drivers of our economy.

VET has suffered from some of the worst aspects of a federation - double ups, inefficiencies, blurred responsibilities, cycles of reform and, at worst, outright waste and mismanagement.

We need a clearer and more functional allocation of government and governance functions to remove inefficiencies, create accountability and drive improvement.

We need a training system that provides the skills that power the Australian economy, but which also improves the lives of the most vulnerable learners. We need providers to not only meet minimum benchmarks, but strive for quality and excellence. We need assessment and qualifications we can trust, and the information for students and governments to invest wisely.

We want to foster a mature, confident and capable sector, which is independent, accountable and forward-looking.

Given the current crisis, and the shock and dislocation it is creating, this is more important now than ever. We don't have time for protracted negotiations, political point scoring, or just plain inertia.

We should be able to get this right. The many Australians cast adrift by the current crisis, and our collective economic recovery, are relying on it.

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