



**Skills Australia's submission to the
Productivity Commission's study on the
impacts of COAG reforms for VET and
transitions from school**

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1. Introduction

Skills Australia notes that Government has requested the Productivity Commission to assess both the realised and prospective impacts on productivity and workforce participation of the Council of Australian Governments' (COAG) VET reform objectives, and targets and initiatives that support successful transitions from school. The Commission also has been asked to identify any emerging concerns about the potential impacts of reform.

Given that the COAG reform agenda is in its early stages and that limited evaluative trend evidence of the reforms is available, Skills Australia will take the opportunity to focus our remarks on the potential for the sector to realise the COAG VET reforms objectives and the enablers that are required for this to occur.

This submission concentrates on the need for the Australian VET sector to undertake comprehensive reforms in the way it is financed, organised and developed if gains in workforce participation and productivity are to be achieved. Our arguments are based on our detailed studies - *Australian workforce futures* (2010) and *Skills for prosperity* (2011).

This submission highlights three main issues and outlines the need for structural reform of the VET sector in the following areas:

- the capacity of the sector to meet emerging economic and demographic requirements and the need for investment in the sector to underpin growth
- the organisation of the sector, particularly the way it is financed and developed to achieve productivity and participation outcomes
- the need for improved outcomes and transparency in the sector's operations.

The submission also covers issues and proposes reforms in relation to successful youth transitions.

Skills Australia contends that unless additional investment in the VET sector is made by government, individuals and enterprises, Australia risks falling behind in the level of skill necessary to meet our economic and demographic needs and to achieve improved productivity and workforce participation outcomes. Australia will also fall short in meeting the aspirational COAG targets for the transformation of the Australian qualification profile.

We have argued that additional public investment in the VET sector is worth it and will pay for itself in the longer term through increased national income.

However, the investment model in VET must change – shifting from a system limited by the amount of funding available, to a system that instead focuses on the demand for training by individuals and enterprises. This would move the VET sector towards the same footing as higher education in relation to demand led funding.

Our proposed approach to additional resourcing is modest. A shared responsibility for investment is seen as optimal – with those who stand to benefit most contributing more. The maximum public subsidy would be available to those undertaking lower level qualifications up to and including Certificate III and foundation skills courses up to Certificate IV, and would not limit individuals from acquiring multiple qualifications. This reflects the need for skills deepening as people move through their career, and the need to fill skills gaps, or upskill to meet the emerging needs of the workplace.

Transformative and fast tracked shifts in the sector would need to accompany increased investment. The sector's reputation has suffered in recent years in terms of the quality of training delivered and the outcomes being achieved. This situation must urgently change. We see more robust quality and performance expectations as the essential reform co-requisites of a more open, demand driven investment model.

2. Building the capacity of the sector – the need for investment

The sector's potential to meet future economic need

The COAG targets need to be considered relative to the likely future labour market demand for and supply of skills and the potential policy responses available to meet the supply.

Demand for skills is influenced by three drivers:

- Jobs growth
- Replacement/retirements
- Skills deepening (the growing need for people to acquire higher level and multiple qualifications over their working lives due to increasing role complexity)

Rather than estimating on the basis of past trends, Skills Australia has modelled three possible scenarios or paths for the Australian economy and considered the likely impact on skill needs for each of these. Against those paths we found there is a risk of significant skills deficits remaining over time, especially within an 'Open Doors' world of increasing international trade and global competitiveness, a scenario closest to the assumptions of current day policy settings.¹

Most importantly, 'Open Doors' produces a demand for skills which is not likely to be met based on the existing demographic trends in the supply of skills, especially at the higher end. This scenario sees an average shortfall in qualified people over the period to 2025². Even though the 'Open Doors' projection takes into account the supply of skills through net migration at a continuing high level (expected to be around 18 per cent of annual student completions), a significant skills deficit will remain over time. To address this, a structural lift in student participation and an improvement in qualification outcomes is required.

¹ The 'Open Doors' model outlined in *Australian Workforce Futures* assumes an occupational and industry structure that is driven by more global openness. This compares to the alternative scenarios of 'Low Trust Globalisation' and 'Flags' - based on the Royal Dutch Shell scenarios

² See Access Economics (2009) *Economic modeling of skills demand: report by Access Economics for Skills Australia* Table 9.4, p 66 and Appendix A

This implies an increased focus on the capacity of the system to address Year 12 completions and progression to higher level skills, and a greater focus on training and retraining the current and future workforce as well as that large group that remains outside the labour force.

Therefore, to address this shortfall, Skills Australia estimates that the supply of tertiary qualifications needs to increase at an annual rate of 3 per cent per annum to 2020. Our modelling suggests an overall growth in supply and demand that is quite similar for VET and for higher education. The need for growth in VET qualifications is underpinned by the pattern of economic growth, labour mobility and retirements and the VET sector's important role in articulation to further study and as a stepping stone to higher education. A large part of the growth will also be drawn from lower socioeconomic status groups for whom VET programs are a necessary starting point and for whom additional learning support and financial assistance will be needed.

In *Skills for prosperity*, we estimated the additional investment required to be a 3 per cent average increase in funding per annum for the VET sector or an average of \$310 million annually, in real terms, accumulating. The estimated requirement includes increased support for high need learners and improvements in the quality of VET delivery. This requirement is offset by improvements in the cost effectiveness of the VET system which are discussed further below.

This requirement for at least 3 per cent growth needs to be seen in relation to the recent trends in student numbers and funding in VET.

Table 1 shows that student numbers were roughly constant between 2006 and 2009 but rose by 5 per cent in 2010 following the introduction of the Productivity Places Program . Hours of training rose much more strongly reflecting students undertaking longer and multiple programs and some lengthening of courses. Much of the growth in provision in 2010 was by private providers.

Table 2 shows that total VET revenues have increased in real terms by around 2 to 3 per cent per annum with the exception of 2009 when a very large 9 per cent increase occurred. This was a result of Australian government funding for the Productivity Places Program and a large temporary increase in capital funding. Overall the Australian government share of total funding rose very sharply in 2009 and, while it fell back in 2010, remains well above that of earlier years.

The rapid increase in hours of training delivered has meant that even though overall funding has increased, funding per hour in real terms has generally been declining. This is evident in Table 3 which shows that there has been a reduction in investment by all governments per annual hour of publicly supported training delivered in VET of approximately 20 per cent since 1997.

**Table 1 Provider type by number of students and hours of delivery
Australia, 2006–10**

	2006	2007	2008	2009	2010	2009–10 % change
	million	million	million	million	million	
Number of hours of delivery						
TAFE and other government providers	318.4	333.1	345.1	368.2	375.7	2%
Community education providers	14.6	17.6	17.3	18.4	17.9	-3%
Other registered providers	39.1	39.3	46.9	52.4	78.5	50%
Total hours of delivery	372.1	390.1	409.2	438.9	472.2	8%
annual increase %		5%	5%	7%	8%	
Number of students	'000	'000	'000	'000	'000	
TAFE and other government providers	1,325.1	1,312.8	1,329.1	1,312.3	1,338.6	2.0
Community education providers	164.8	164.7	156.3	151.9	135.9	-10.5
Other registered providers	179.6	179.6	204.0	230.2	308.5	34.0
Students attending various providers	6.5	7.9	10.3	12.3	16.0	30.0
Total students	1,676.0	1,665.0	1,699.7	1,706.7	1,799.0	5.4
annual increase %		-1%	2%	0%	5%	

Source: 2010 National VET Provider Collection

Table 2: Total VET revenues 2006-2010 (\$ million)

	2006	2007	2008	2009	2010
Income					
Fee-for-service	731	824	991	1063	1132
Student fees and charges	244	251	276	293	319
Other	280	255	267	296	290
Total Income	1250	1326	1530	1640	1734
Revenue from governments	-	-	-	-	-
Commonwealth national agreement	994	1032	1050	1130	1169
Commonwealth capital	194	197	214	549	340
Commonwealth administered prog. productivity places	-	-	105	430	432
Commonwealth. all other	236	407	334	314	460
Total Commonwealth	1423	1635	1703	2424	2401
State recurrent and other	2821	2993	3085	3150	3244
State recurrent—productivity places	-	-	6	60	102
State capital	149	86	146	133	184
Total States and Territories	2970	3078	3238	3343	3530
Total revenue from government)	4393	4714	4941	5767	931
Grand Total	5644	6040	6471	7407	7665
Grand Total in 2010 prices	6496	6633	6824	7452	7665
GDP Chain price index at June	86.9	91.1	94.8	99.4	100.0
Annual real increase in Grand Total		2.1%	2.9%	9.2%	2.9%

Source: Based on NCVER Financial Information 2010. Note: does not include the private income of private providers

This reduction in funding per hour could be taken as a sign of increased efficiency. However, there is widespread concern that it could represent a decline in quality. This was recently evidenced in the Productivity Commission's *Caring for Older Australians* report where Recommendation 14.4 said that 'Given industry concerns about the variability in training outcomes for students, the Australian Government should undertake an independent and comprehensive review of aged care-related vocational education and training (VET) courses and their delivery by registered training organisations (RTOs)'. This is discussed further in section 4.

Table 3: VET Government real recurrent expenditure- All governments

	Per annual hour (Real 2009 \$ per hour)	Per FTE Student ¹ (Real 2009 \$)
1997	16.7 ²	12 042 ²
1998	16.0 ²	11 534 ²
1999	16.5 ²	11 889 ²
2000	15.5 ²	11 188 ²
2001	14.8 ²	10 619 ²
2002	15.3 ²	11 021 ²
2003	15.6 ²	11 219 ²
2004	15.5 ²	11 140 ²
2005	15.3	11 019
2006	14.9	10 747
2007	14.0	10 045
2008	13.4	9 649
2009	13.3	9 583

¹ Per student expenditure equals per hour multiplied by 720

² Data adjusted to account for breaks in ROGS series data prior to 2005

While the growth in funding overall has recently been at or above the levels recommended by Skills Australia it is not evident that it will be sustained at 3 per cent per annum. This level will be necessary to provide quality training and cater for the less advantaged who need to be enrolled in greater numbers.

The Australian Government in the 2011/12 Budget announced a range of measures including the new National Workforce Development Agency (discussed below), additional programs for apprentices, support for increased labour force participation (especially through increased funding for literacy and numeracy programs), and a five year national partnership to support reform in the VET system.

Table 4 gives the forward estimates by the Australian government in the VET sector. It covers the expenditures for VET delivery included in Table 2 but also spending on incentives for employers of apprentices and personal student and apprentice benefits which are not included in Table 2.

Table 4 shows that total Commonwealth investment, which increased greatly in 2009, is set to further increase from 2010 to 2011-12 but then will be sustained at a little over the 2010-11 level. Similar forward estimates for State funding have not been compiled.

In summary there is not yet a commitment by Australian governments to continue expanding real VET funding to the level required to meet projected workforce skills requirements.

Table 4: Australian Government funds for skills and workforce development

	\$ million					Increase 2010-11 to 2014-15	Average annual increase ¹
	2010- 11	2011- 12	2012- 13	2013- 14	2014- 15		
Total to States: SPP and NPs ²	1,713	1,864	1,709	1,774	1,722	0.5%	0.1%
Total DEEWR Programs ³ (excluding student assistance)	1,804	1,998	1,814	1,820	1,764	-2.2%	-0.5%
Total DEEWR Student Assistance for VET ⁴	590	629	633	619	619	5.0%	1.2%
DIAC Adult English Migrant Program ⁵	205	212	220	226	233	13.7%	3.4%
TOTAL VET Related Funding^{6, 7}	4,311	4,703	4,376	4,439	4,338	0.6%	0.2%

Notes:

¹ Calculated as "Increase 2010-11 to 2014-15" divided by 4

² Treasury Budget Paper No. 3 2011-12: *Australia's Federal Relations Table, 2.5*

³ DEEWR Budget Statements: Outcome 3, Table 2.3.5 *Administered Expenses VET National Support*

⁴ Derived from DEEWR Budget Statements: Outcome 3, Table 2.3.3 *Tertiary Student Assistance* - Estimates based on projected numbers in VET and average payment per student. DEEWR does not separate funding for VET from higher education

⁵ DIAC Budget Statements 2011-12: Outcome 5, Table 2.3.5: *Program component expenses*

⁶ Excluding the cost of VET FEE-HELP

⁷ Indexation methodology is not comparable to higher education or schools and does not address the issues raised in Skills for prosperity p149-150

The potential impact of increased investment in skills and improved workforce participation

Skills Australia argues that there are substantial income and fiscal benefits to be realised through the proposed additional investment in VET.

For individuals, higher level vocational and university qualifications and increased literacy and numeracy skills are strongly associated with sustained employment, higher level incomes and social wellbeing. There is a substantial pool of untapped labour that we think should be encouraged to achieve qualifications to enable them to get a job. There are currently 1.4 million Australians either unemployed or under employed and another 1.3 million not in the labour force who would work if they had the opportunity. This represents a substantial pool of potential workers. Investment in the VET sector, and the tailored programs and investment framework we specify, directly targets this cohort.

The projected increase in qualifications that Skills Australia is recommending over the next 15 years for these disadvantaged Australians should help lift Australian workforce participation figures into line with those of other like OECD countries. Skills Australia

projected an increase in the workforce participation rate to 69 per cent by 2025, compared to Treasury's *Intergenerational Report* projected fall to 64 per cent. Achieving this higher rate of participation would halve the increase in the projected age-dependency ratio and improve government budgets. Indeed, approximate estimates based on the methodology of the Productivity Commission,³ would translate into an annual improvement in the operating balance of Australian governments of around \$24 billion (05/06 dollars) by 2025.

Not 'business as usual'

Skills Australia has argued that the proposed increase in spending on VET has to be accompanied by a redesign of the sector's investment framework and the way resourcing has traditionally been managed. We recommend shifting away from funding institutions to a demand based system where enterprises and individuals are stimulated to take up training through more widely available choice and flexibility in the use of publicly subsidised training.

We have also outlined a comprehensive blue-print for reform of the VET sector and a range of other strategies to meet Australia's future skill needs. These include:

- improving literacy and numeracy levels through the expansion of foundation skills programs and the extension of intensive and tailored learner support for those from disadvantaged backgrounds attempting to build pathways to permanent employment and increase workforce participation
- developing a funding stream to enterprises to achieve better use of skills in the workplace and increase productivity,
- enhancing the capability of the VET sector, especially the depth and specialisations of knowledge and skills of VET professionals as well as the application of their expertise in the use of digital technologies in teaching.

These points are developed further below.

3 Implementing a demand based funding system – participation and productivity enhancing reforms

Individual entitlement funding

Skills Australia has recommended the adoption by all Australian governments of an individual entitlement to a publicly funded VET place where resources are allocated on the basis of student choice, rather than channelled through training providers. Conditional on the successful implementation of improved quality assurance, the provision of publicly funded training could be provided by both public and private providers.

We have proposed a 'targeted' or prioritised entitlement entailing fully publicly funded places for individuals undertaking vocational courses up to and including Certificate III, and all foundation skills courses up to Certificate IV. We also argue that eligibility for fully

³ Productivity Commission (2006) *Potential benefits of the National Reform Agenda*- Report to the Council of Australian Governments

subsidised places should not be exhausted by individuals undertaking more than one course, or part of a course, at these levels. Higher level courses would be co-funded by students through an income contingent loan.

The move to entitlement funding is underway already to varying degrees in some states and territories. Victoria, South Australia and most recently Queensland have committed to this approach. Arrangements differ considerably between jurisdictions, sending uneven signals to the learners.

Supporting communities and connections

Australia is experiencing a structural mismatch in the labour market caused by growth in job opportunities not being matched by the skills of those who are underemployed or unemployed. We are currently seeing skills shortages coinciding with large numbers of people who remain unemployed, would work if they could find a job, or are underemployed because they do not have the required skill levels. There are approximately 2 million or more people in these categories.

This underutilisation of labour is a crucial issue to be addressed by the VET sector over the coming decade. However, in many cases, raising the skill levels of those marginally attached to the labour market is not straightforward. It will require specifically tailored education support programs and the development of language, literacy and numeracy skills. Our funding recommendations for the sector specifically address these requirements.

While entitlement funding will remove the most direct barrier to training participation for individuals, there is also a need to address indirect barriers. This could be achieved through better integrating the efforts of training and other agents such as Job Service Providers, employers and other regional partners.

There is a strong regional dimension to workforce participation problems, with lower participation profiles coinciding with large clusters of disadvantage across a range of social indicators. Vocational education and training plays a vital role in local communities and contributes to regional development through productive partnerships with enterprises, employment services providers, community groups and government agencies. The TAFE system in particular has a significant function in regions to protect against market failure and as a lever of government policy in supporting local and regional initiatives. TAFE institutions have a unique and complex role as providers, acting as lead agents in government policy agendas, and responding when required to ensure the needs of specific regions and target groups are met.

However, better integration and innovation of services is needed at the local level to address complex problems, especially the needs of disadvantaged learners. This point is highlighted in the recent report by Bretherton, who finds that innovative practice through local networking, service adaptation and reinvention is essential.

“Successful agencies exhibit a tendency to network and form ongoing and purposeful links with other agencies within their respective labour markets. This allows for a meaningful and regular exchange of information about clients and client progress and enables agencies to collaborate in order to source and fill gaps in the support

network for their clients....In developing responses to a local labour-utilisation challenge, these innovative agencies have managed to unite, or achieve greater alignment between, the supply and demand requirements of the labour market.”⁴

The recent Commonwealth Budget has provided \$19 million over three years to deploy 34 Skills and Job Coordinators in regional communities to develop Regional Education Skills and Job Plans. Skills Australia also sees the need for more integrated and streamlined services, particularly between job services agencies and training providers to enable improved services for those with entrenched disadvantages.

Enterprise funding streams- focusing on workforce development and skill use

In parallel with the development of new skills, the effective and strategic use of skills in the workplace is as important in leveraging productivity growth.

In *Australian Workforce Futures* we argued:

“Australia needs to address not only skills supply (the competence of the workforce) but skills demand, (the effectiveness of the workplace in harnessing skills) as shaped by employer practices. To create a more productive economy requires employers to shift their business strategies... and adopt forms of work organisation that require more skill and offer more opportunities for learning and development’⁵

This suggests an approach that encompasses organisational change in tandem with a focus on formal training.

Research by Mavromaras provides evidence of mismatch between worker skills and jobs in Australia, indicating that skills are not being fully utilised. “Research based on the HILDA data suggests that there is considerable mismatch of existing skills in Australian workplaces-a wasteful outcome. Expected skill shortages will place intense pressure on the labour market to use existing skills better and to reduce skills mismatch.”⁶

Skills Australia's recommendations in relation to VET funding have been to optimise workforce development which encompasses activities complementary to education and training. The intention is to go beyond the traditional focus on skill formation to embrace approaches linked to skills utilisation including improvements in how work is organized, job design, workplace performance and knowledge transfer. For this reason Skills Australia proposed a stream of funding at the firm level, with the aim of encouraging skill development directly linked to the business decision-making of enterprises and workforce development plans.

The approach we advocated would feature direct funding of enterprises based on workforce development plans, delivering improved skill use linked to business needs

⁴ Bretherton, T (2011) *Understanding the undertow: innovative responses' to labour market disadvantage*. NCVER. p6

⁵ Skills Australia. *Australian workforce futures* (2010) p45

⁶ Mavromaras, K (2009) A skilled workforce for the future, *Insights* v6 November 2009

with a more strategic focus to better reflect the workforce development rationale articulated in *Australian workforce futures* and to more purposefully leverage public investment on this intention. This could be accommodated by specifying primary objectives (skills and training) and secondary program objectives focussed on increased workforce participation; improved skill utilisation; improved workplace performance; and industry sector/enterprise or regional cluster development

To a large extent this has been taken up by the Australian Government. In the 2011/12 Budget the introduction of a National Workforce Development Fund was announced⁷, an industry focussed funding stream providing \$558 million over four years to support training and workforce development. This new fund incorporates the Critical Skills investment Fund and the Enterprise Based PPP. It was announced that there would be \$148 million available during 2011-2012. Industry will be required to make a co-contribution to training costs. From 2012, the administration of the Fund will come under the umbrella of the new National Workforce Development Agency.

A further funding announcement was made by the Minister for Education, Employment and Workplace Relations on 21 September 2011⁸ in relation to 'Skills Connect', the consolidation of several existing enterprise focussed programs. The intention is to streamline and provide easier access for employers to a range of resources and to work through industry brokers who can facilitate workforce development projects.

Skills Australia's review of international literature of skills utilisation⁹ indicates a number of countries have targeted programs related to improved skill utilisation. This is a complex area with difficult issues of definition and measurement. The Organisation for Economic Co-operation and Development (OECD) is examining instances of skills utilisation across the OECD as part of its *Local Economic and Employment Development Skills for Competitiveness* project.¹⁰ It has found that a wide number of initiatives are in place internationally including Finland, Ireland, New Zealand and Scotland. However the evidence base on outcomes is slow to emerge. Much of the analysis of skills use overlaps with research on high performing workplaces. Pinpointing outcomes that relate directly to the skills factor is not straightforward. The UKCES¹¹ and the Scottish Funding Council¹² have instigated work to better isolate the outcomes of programs focussed on skill utilisation.

⁷ <http://www.deewr.gov.au/Skills/Programs/SkillTraining/nwdf/Pages/HowToApply.aspx#3.2>

⁸ http://www.deewr.gov.au/Ministers/Evans/Media/Speeches/Pages/Article_110921_130057.aspx

⁹ Skills Australia (2011) *Skills utilisation literature review*

http://www.skillsaustralia.gov.au/PDFs_RTFS/skillsutilisationliteraturereview.pdf

¹⁰ J. Buchanan, J et al (2010) *Skills demand and utilisation: An international review of approaches to measurement and policy development*, OECD Local Economic and Employment Development Working Papers, 2010

¹¹ UKCES (2008) *Skills utilisation literature review*, Scottish Government Social Research

¹² Payne, J (2011) *Scotland's Skills Utilisation Programme: an Interim Evaluation*, SKOPE Research Paper No. 101 June 2011

4. Realising improved outcomes

As noted above, Skills Australia proposes two essential reform platforms must accompany the move to increased and more open demand based funding – that is, improved quality of service delivery and improved outcomes.

Quality issues

Significant national regulatory developments across the tertiary sector include the establishment of the Australian Skills Quality Authority and the new National Skills Standards Council. A strong, coherent and well resourced regulatory apparatus is important for the sector's future. However quality reforms in the VET sector can not be left to the regulator alone to solve. Equally important is industry's and the general public's confidence in the quality of delivery provided by RTOs. Public consultations conducted by Skills Australia's prior to the release of *Skills for prosperity* suggest there is quite widespread concern about the integrity of national qualifications being delivered by some training providers. Concern about the quality of training delivery and assessment was the single biggest issue identified across the 140 submissions received. Similar issues about the quality of VET training were addressed in the Productivity Commission's recent report on the aged care industry and the development of its workforce.

Skills Australia believes it is imperative to move from patches of excellence to a sector that aspires to and achieves excellence in teaching and learning outcomes across the board. When the Australian Quality Training Framework was conceived in the mid 1990s, there were fewer than 2,000 RTOs operating. Now there are over 5,000. Incremental reforms, or adjustments via continuous improvements of the quality framework, have allowed too much slippage in the behaviour of some RTOs. It is now time for governments to send strong signals that the quality bar needs to be lifted

Improved quality of provision and increased regulatory capacity

An increased focus is needed on the quality of the VET teaching and learning experience. Skills Australia has proposed a package of reforms. These include:

- *Strengthening the Australian Quality Training Framework to require mandatory external validation of assessment.*

This would require RTOs to undertake independent validation of a sample of student assessments annually. Validation would consider both the assessment process, including the tools used, and the assessment outcomes. It would also include assessment materials from on- and off- the - job training settings, as well as the range of training package qualifications delivered by the RTO.

- *More rigorous requirements for delivery of the Training and Education Training Package.*

As the mandatory professional requirement for VET sector trainers, the Training and Education (TAE) Certificate IV in Training and Assessment is the core qualification underpinning quality. We have recommended higher and additional standards of registration for providers who wish to deliver this qualification. We recommend such providers must:

- demonstrate a track record in delivery of nationally recognised qualifications in an industry area other than the TAE for a period of at least two years
- show evidence that governance arrangements include expertise in teaching and learning and competency-based training and that this expertise is used to monitor and improve learning outcomes
- demonstrate a track record in ongoing formal professional development of their staff
- meet a requirement for an external validation conducted by an expert validation panel before initial and renewal registration

In addition, we propose that teachers who train and assess the Certificate IV in TAE must have higher-level qualifications than the Certificate IV and demonstrated experience as a teacher/trainer. Also, learners seeking to demonstrate competence at the level of the Certificate IV in TAE must prepare and deliver at least four consecutive supervised training sessions, two of which are assessed by an assessor independent of the registered training organisation delivering the qualification.

· *Greater depth of VET workforce professional capability*

We see that the demands of the 21st century economy will require greater depth and breadth in the educational preparation of VET professionals to enable them to continue to meet the challenges of changing industry practices and to address learners' complex needs and support.

We recognise the Certificate IV in Training and Education is the core qualification for professional preparation of the VET workforce and recommend that all trainers and assessors should have the Certificate IV in Training and Education or its equivalent by 2013. However, we argue the need for a 'scaffold' of higher level qualifications among VET teachers and trainers to enable specialised professional pathways and ongoing professional development throughout careers.

· *A National VET Workforce Development Strategy*

We have argued the need for a specific investment in the professional VET workforce of \$40 million per annum over the next six years in order to implement a national workforce development strategy for the VET sector

Outcomes and performance

· *An increased focus on outcomes*

The sector's completion rates for qualifications are in the range of 20 to 40 per cent depending on the certificate level being studied, the age of students and whether study is being undertaken full or part time.¹³ Of particular concern is the high level of attrition among first year apprentices and trainees. Approximately 32 per cent of all who commenced in 2008 withdrew within their first year, representing about three-quarters of all withdrawals.¹⁴ This can be due to a range of reasons as identified in

¹³ NCVER (2011) *The likelihood of completing a VET qualification 2005-2007, Australian VET statistics*

¹⁴ NCVER (2010) *Apprentices and trainees 2009 annual*, tables 12 and 13

recent work undertaken by the 'Expert Panel'¹⁵. These include workplace or employer issues, lack of support, low wages and not liking the work. By any measure, the sector's completion rates are of concern and represent a potential wastage for individuals, employers and government.¹⁶

Once the improved quality assurance arrangements are in place we recommend the introduction of outcomes-based funding to increase the sector's focus on performance and as an important incentive to encourage the achievement of COAG targets. We also propose the introduction of incentive payments to reward outcomes such as completion of qualifications above Certificate III by low SES and disadvantaged students, improved learner engagement and employer satisfaction. We recommend that public funding of RTOs should progressively move to a system of staged payments at enrolment, mid point and a final payment on module completion, with 100 per cent of funding being allocated for 80 per cent module completion.

An emphasis on completions has the potential to promote a much stronger emphasis on initial student assessment and career advice, course placement, tutorial support and special assistance during the learning program. The UK experience has demonstrated that a focus on completions can drive much stronger performance and better outcomes for both students and government.¹⁷

· *Performance reporting and transparency*

The move to increase accountability and public information across the whole education and training system has been agreed by governments. Progress in the schools and higher education sector is running well ahead of the VET sector. Robust, objective and easily accessible evidence are fundamental features of good consumer information to underpin transparency and accountability in service delivery. Skills Australia considers that the principle of transparency needs to be applied strongly to the VET sector, especially as it moves towards entitlement funding. For demand-driven models to work effectively, clients — be they individual learners or enterprises — must be able to access reliable information about the relative value and performance of providers both public and private.

Skills Australia proposes improved public information on the performance of the VET system and both publicly funded and private providers through the wider availability of performance data on individual RTOs.

¹⁵ *A shared responsibility: apprenticeships for the 21st Century*: final report of the Expert panel (2011) DEEWR p9

¹⁶ See Deloitte Access Economics (2011) *The cost of apprenticeship non-completion in NSW*, NSW Board of Vocational Education and Training
http://www.bvet.nsw.gov.au/pdf/DAE_BVETReport.pdf

It should be noted that apprenticeship and traineeship completion rates are generally better than that experienced across other qualifications. See Skills Australia Discussion Paper *Creating a future direction for Australian vocational education and training*, (2010), page39, which indicates a completion rate of 50 per cent for the cohort of apprentices and trainees who commenced in 2005.

¹⁷ See *Skills for prosperity*, page 106

Publication could be required for all providers on the 'My Skills' website of the following information:

- quality indicators on learner engagement, employer satisfaction and student outcomes
- course profiles, annual student enrolments, course completions, module completions, skill set completions and qualifications awarded
- student population characteristics, including low socioeconomic status and other disadvantaged student cohorts
- independent assessment validation processes and results
- student services, including career advice services
- workforce development and other services to industry
- articulation and credit transfer agreements with higher education providers, and agreements and partnerships with schools and industry
- NCVER Student Outcomes Survey results.

The provision of information on individual providers is an approach that is already well established in other countries. Examples from the United Kingdom include the publication of inspection reports from the Office for Standards in Education, Children's Services and Skills (OFSTED). OFSTED reports are available on individual providers and are written in plain English indicating performance in relation to how well a provider is doing, highlighting strengths and weaknesses.¹⁸ Depending on the type of provider the report may look at different areas such as apprenticeships, foundation learning and functional skills. The content depends on the areas being inspected. It will consider:

- the effectiveness of a provider's work and what they do well
- how they might improve
- how good a provider is in particular aspects. Those overall judgments use a four-point grade scale (from outstanding to inadequate)

The inspection report looks at how learners have progressed into further education and employment in relation to their starting point. It takes into account:

- self-assessment
- support, guidance and encouragement
- how well learners' needs and interests are met and their results
- the quality of provision
- leadership and management
- different subject sector areas.¹⁹

¹⁸ <http://www.ofsted.gov.uk/adult-learning-and-skills/for-learners/understanding-adult-learning-and-skills-inspection-report>

¹⁹ See for example the 2010 report on the City of Westminster College at <http://www.ofsted.gov.uk/inspection-reports/find-inspection-report/provider/ELS/130423>

5. Improving youth transitions

Year 12 and transitions research

Over recent years, there has been a strong focus on increasing Year 12 completions due to the contribution it will make to increasing the number of young people successfully transitioning from schooling into further education, training or employment. For example, the National Partnership Agreement on Youth Attainment and Transitions (and the National Education Agreement) supports a national Year 12 or equivalent attainment rate of 90 per cent by 2015, and agrees to: provide an education or training entitlement to young people aged 15-24; better engage young people in education and training; assist young people aged 15-24 to make a successful transition from schooling into further education, training or employment; and better align Commonwealth, State and Territory programs and services related to youth, careers and transitions.²⁰

A study by the Melbourne Institute of Applied Economic and Social Research considering patterns of re-engagement among early school leavers highlights the importance of encouraging successful early transitions. The study also found that early school leavers who enter employment are more likely to return to education if they enjoy their job, with the likelihood of re-engagement increasing by 1.3 percentage points for every 1 point increase in the 11 point scale of job satisfaction.²¹

Careers advice and better information are vital services required for successful transitions from school to further education and training and work. There is evidence of high usage of career development services at universities, but in the VET sector they are relatively limited.²² Career development services in VET are often enveloped within general student counselling services and there is large variance in these services between VET providers. Careers websites are used by just over one-third of young people.²³ However, while improved access to technology has the potential to provide better assistance, it seems that personal interaction with experienced and knowledgeable professionals and acquaintances is fundamental to the provision of effective career guidance.

Year 12 Equivalence

In the recent paper *The Vocational Equivalent to Year 12*, Lim and Karmel highlight that despite the recent focus on Year 12 completions, there is growing recognition that academic pathways do not suit all young people and there is a need for more alternatives.

Victoria alone among the states has developed an alternative to the regular senior school certificate (the VCE). This is the Victorian Certificate of Applied Learning (VCAL)

²⁰ COAG, *National Partnership Agreement on Youth Attainment and Transitions*

²¹ Black, D., Polidano, C. and Tseng, Y. (2011), *The Re-engagement in Education of Early School Leavers*. Melbourne Institute Working Paper No. 13/11, Melbourne Institute of Applied Economic and Social Research

²² Phillips, KPA (2008) *Review of career development services in Australian tertiary institutions*, Career Development Section, Department of Education, Employment and Workplace Relations

²³ Rainey, L., Simons, M., Pudney, V. and Hughes, E. (2008) *What choice? An evaluation of career development services for young people*, NCVER

which is taken by students in schools and in the VET system and has surprisingly good post school vocational outcomes. It is argued that without such an alternative many young people may be denied opportunities.

Lim and Karmel find the concept of equivalence is problematic and vocational qualifications should be seen as alternative rather than equivalent qualifications to year 12. Lim and Karmel conclude that to approach equivalence with completion of year 12 a vocational alternative needs to be at least at the Cert III level.²⁴

VET in schools

Skills Australia believes that high quality VET in Schools programs are integral to helping achieve goals for improved transitions from school to further education, training or employment.

In *Skills for prosperity* we highlight the many positive outcomes that have been achieved through VET in Schools programs, but also draw attention to some persistent concerns. We conclude in our report that due to the highly complex and inconsistent nature of VET in School programs it would be timely to undertake a national review of the VET in Schools program to ensure it is providing pathways to work and further learning in the most effective way possible. The issues that would need to be considered are outlined below:

- *Increasing retention and providing strong pathways*

There is mixed evidence as to the success of VET in School programs increasing Year 12 retention and providing strong pathways to further education and training and employment. Anlezark and others argue that there is stronger retention from Year 10 to Year 11 in schools that offer VET courses but a negative effect on retention from Year 11 to Year 12, leading the authors to question whether these programs might be better targeted at younger students in order to improve school retention.²⁵

The Longitudinal Surveys of Australian Youth show that students who have participated in VET in Schools programs are proportionately more likely to take up post-school VET.²⁶ NCVER also concluded that amongst students who do not go on to university, those enrolled in VET at school are more likely to go on to completing an apprenticeship, study at TAFE or gain full time employment.²⁷ However, research shows that the effect of VET in Schools on post-school activities is dependent on the program type and structure. There is usually little match between courses studied at school and courses undertaken post-school - the highest match is for boys undertaking engineering or building courses. Further, students who participate in VET programs with high levels of

²⁴ Patrick Lim and Tom Karmel (2011), *The vocational equivalent to Year 12*, NCVER

²⁵ Anlezark, A, Karmel, T and Ong, K (2006) *Have school vocational education and training programs been successful?*, NCVER

²⁶ Anlezark, A, Karmel, T and Ong, K (2006) *Have school vocational education and training programs been successful?*, NCVER

²⁷ Anlezark, A, Karmel, T and Ong, K (2006) *Have school vocational education and training programs been successful?*, NCVER

Stephen Lamb and Margaret Vickers (2006) *Variations in VET Provision across Australian Schools and Their Effects on Student Outcomes*, NCVER

workplace learning are more likely to enter further VET study and less likely to be unemployed.²⁸

While the introduction of VET in Schools programs integrated with Senior Secondary Certificates of Education have broadened pathways, increased retention and given students the opportunity to gain valued credentials, doubts have been expressed about the quality and design of VET in Schools programs.

Issues identified in *Skills for Prosperity* around VET in Schools programs are outlined below:

- *Multiple Purposes*

Many comment on the multiple and at times conflicting purposes of VET in Schools programs. There can be tension about whether the purpose of such programs is to engage senior secondary students who may have otherwise left school with poor results; or to provide a genuine vocational course with pathways into further education and employment.

- *Workplace Training*

Industry consistently argues that for VET in Schools to provide meaningful pathways, qualifications need to provide adequate workplace learning. There is criticism of the ability of VET in Schools to provide enough workplace training to be comparable to other VET courses. As mentioned above, research has found that students who participate in VET programs with high levels of workplace learning are more likely to enter further VET study and less likely to be unemployed.²⁹

- *Variable Teaching Quality*

VET in Schools requires teachers with the capacity to work across sectors; however, there are different qualification requirements for secondary teaching and post-secondary VET.³⁰ Secondary teachers wishing to deliver AQTF-compliant VET in Schools programs are required to have appropriate industry qualifications and experience plus the teaching qualifications mandated under the AQTF. However, there is a persistent view that too many VET in Schools programs are being delivered by teachers without relevant and current industry experience.³¹

- *Funding Complexity*

VET in Schools funding is an issue that is frequently cited as problematic, largely due to the intersection of schools and VET funding resulting in complex and sometimes inadequate funding arrangements. Many schools are concerned about the additional costs of providing VET programs, as well as potentially losing funding for their students who are studying in TAFE or with other providers. There are also many instances where parents are required to pay additional fees to cover the cost of VET in Schools. This is a potential barrier to participation.

²⁸ Coates, H and Rothman, S (2008) *LSAY briefing number 15: Participation in VET in schools*, ACER

²⁹ Coates, H and Rothman, S (2008) *LSAY briefing number 15: Participation in VET in schools*, ACER

³⁰ Currie, W and McCollow, J (2002) *Vocational education and training in public schools: enhancing student career options*, AEU

³¹ Get Access Now, *VET in Schools teachers*, accessed at <http://getaccess.wa.gov.au/careers/profiles/data/OCC262.asp>, accessed 11 March 2010

- *Lack of Consistency*

Many submissions to Skills Australia have expressed support for improved consistency in the system through national VET in Schools and school-based apprenticeship authorisation and programs. Currently there are many inconsistencies between jurisdictions and individual RTOs, including:

- Accreditation - not all VET in Schools programs meet AQTF requirements.
- Time that a student spends in structured workplace learning - depends on the school and jurisdiction. Some jurisdictions, such as New South Wales, have made on-the-job training mandatory for all VET in Schools programs, while others leave it up to training package guidelines.³²
- Wide variation in the range of programs - appears to be narrowness in the industry focus of the courses students are choosing or being offered through VET in Schools.
- Relation to the school leaving certificate and university entrance scores - some contribute towards an Australian Tertiary Admission Rank (ATAR), while others do not.
- School-based apprenticeships are considered by many to be superior to other VET in Schools programs as they provide mandatory structured on-the-job training. However, there is also some scepticism about their value as a genuine vocational pathway. There is also huge variation in their take up across the jurisdictions.

Apprenticeships and traineeships

Apprenticeships are considered by many as the 'jewel in the crown' of the VET system and there is very strong attachment to them by industry as a form of entry-level training. Traditionally apprenticeships and traineeship have been seen as important education and training pathways for young people, however this pattern is changing with increased participation by mature aged people and there is a potential challenge in keeping apprenticeships attractive to young people. Low completion rates are concerning and qualitative studies reveal many complexities for why apprentices drop out of training. Issues that often emerge are: low wages; not liking the type of work; and problems with the workplace or employer.³³ Other concerns with the system include: the level of support for apprentices and trainees both inside and outside of the workplace; the length of time in training and inconsistency in nominal durations; variety in the way apprenticeships and traineeships are offered and provided; and the lack of evidence that completion of a traineeship leads to higher wages.

In *Skills for Prosperity* we highlight the importance of support for employers, apprentices and trainees and make the recommendation that the Australian Government: restructure the Australian Apprenticeships Centre program and redirect funding for a redesigned service; agree to a strategy for this enterprise-linked service to come under the umbrella of the industry-led 'Enterprise Skills Investment Fund' (our recommended amalgamation

³² House of Representatives Standing Committee on Education and Training (2009) *Adolescent overload? Report to the inquiry into combining school and work: supporting successful youth transitions*, pp. 118–121

³³ Snell, D and Hart, A (2008) 'Reasons for non-completion and dissatisfaction among apprentices and trainees: a regional case study', *International Journal of Training Research*, vol. 6, no. 1, pp. 44–73; NCVER (2005) *Young people and VET options*, <http://www.ncver.edu.au/research/proj/nd3102g.pdf>

of existing enterprise-linked funding streams); and in designing the new service, negotiate with states and territories to establish single points of contact or all matters related to apprenticeship operations, pastoral care of apprentices and support for employers. Mentoring is seen to be a critical element in sustaining students in both work and study. Better careers advice is also a critical element in enabling students to make good choices leading to study and jobs that suit and are sustainable.

6. Are the COAG targets achievable?

The Council of Australian Governments (COAG) has agreed reform targets for 2020 to increase the supply of people with qualifications. Namely to:

- halve the proportion of Australians without qualifications at certificate III³⁴ level or above by 2020; and
- double the number of higher level (diploma and advanced diploma) qualification completions by 2020.

In regard to the first target, about 53 per cent of 20 to 64 year olds held qualifications at Certificate III or higher in 2009. To meet the target this would have to increase to about 77 per cent by 2020

Skills Australia's projections were for employed persons of all ages, not for the population aged 20 to 64. However the percentage of the *employed population* which held Certificate III and higher is much the same as the percentage of the *population aged 20 to 64* who held such qualifications. The forecasts for Open Doors prepared by Access Economics project the proportion of employed persons with Certificate III or higher to grow from 52 per cent in 2007 to 66 per cent in 2020 and to 70 per cent by 2025. It is reasonable to infer from this that while under the Open Doors scenario considerable progress would be made towards the target, it would not be reached by 2025.

It should also be noted that the achievement of the numbers with the qualifications specified in the Skills Australia projection would require the expansion of qualification completions approaching 3 per cent per annum over the period.

In regard to the second target, in the VET sector there were 48,091 higher VET qualification completions in Australia in 2008. To double the number to 96,000 in 12 years the annual completions would need to increase by about 6 per cent per annum. Whether this will be achieved depends on the expanded provision of VET places, student preferences (affected by employment outcomes) and completion rates. The package of recommendations in *Skills for prosperity* supports this expansion.

In regard to both targets, early indications are that the demand led system in higher education is resulting in significantly increased enrolments which will contribute to the targets.

³⁴ Certificate III is considered in the National Skills and Workforce Development Agreement as the minimum measure of attainment of a depth and breadth of skills required for a 21st century labour market.