



Foundations for the Future

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



© Commonwealth of Australia 2009

http://www.skillsaustralia.gov.au/Publications_and_Resources/Skills_Australia_public_papers.htm

This work is copyright. You may download, display, print and reproduce this material in unaltered form only (retaining this notice) for your personal, non-commercial use or use within your organisation. Apart from any use as permitted under the Copyright Act 1968, all other rights are reserved. Requests and inquiries concerning reproduction and rights should be addressed to Commonwealth Copyright Administration, Attorney General's Department, Robert Garran Offices, National Circuit, Barton ACT 2600 or posted at <http://www.ag.gov.au/cca>

ISBN: 978-0-642-32879-3

Contents

Foreword	1
Executive Summary	2
Summary of Recommendations	5
1. Introduction	8
1.1 Background.....	8
1.2 Objectives for more effective governance	9
1.3 Positioning for the future—a case for change.....	9
1.4 The framework for governance proposals	10
2. The context for Skills Australia’s advice	12
2.1 Skills Australia’s position on the threshold issues	12
2.1.1 Governance for a more integrated sector.....	12
2.1.2 Improved participation.....	13
2.1.3 Industry leadership and system development	14
2.1.4 The role of governments	14
2.1.5 The nature of investment	15
2.1.6 More consistency and streamlined national regulation	16
3. Leading a unified vision for skills to support a national economy	17
3.1 More integrated tertiary sector governance	18
3.2 Industry’s role in leading the National Training System	18
3.2.1 Planning for investment in skills and workforce development.....	19
3.2.2 Strategic policy and reform	20
3.2.3 Quality and regulation	21
3.3 A proposed way forward.....	21
3.3.1 Leading the national agenda for workforce development.....	22
3.3.2 An effective national network of advice for the tertiary sector.....	22
3.3.3 A direct voice for industry	23
3.3.4 A new governance model for regulation and quality.....	23
3.4 Recommendations	24
4. Providing the evidence base for policy and reform	25
4.1 Governance needs for effective skills planning, policy and investment.....	25
4.1.1 More effective and informed relationships	26
4.1.2 Recognising the role of providers.....	27
4.2 System architecture implications.....	28
4.2.1 A new direction	28
4.3 Recommendation.....	29
5. Investing wisely and effectively in skills and workforce development	30
5.1 Investment roles and governance.....	31
5.2 System architecture implications.....	32
5.2.1 A more coherent national investment framework.....	32
5.2.2 Recommendation	34
5.2.3 Reframing the focus on market design	34
5.2.4 Complementary reform areas for market design	37
5.2.5 Principles for market design.....	38



5.2.6 Varied investment reforms deployed by jurisdictions.....	39
5.3 Recommendations.....	40
6. Regulating and ensuring quality services and products.....	41
6.1 National governance of regulation and quality assurance.....	42
6.2 Rationale for a new approach.....	43
6.2.1 A changing market.....	44
6.2.2 International education.....	45
6.2.3 Risk to reputation.....	47
6.2.4 Effectiveness and complexity.....	47
6.2.5 Related developments.....	48
6.3 The role of a national VET regulatory body.....	48
6.3.1 Proposed functions.....	48
6.3.2 Membership and reporting lines.....	50
6.4 Possible models.....	50
6.4.1 Objectives for national regulatory reforms.....	50
6.4.2 Comparison of possible models.....	51
6.4.3 Considerations for models.....	52
6.5 Implications for existing regulatory and support structures.....	53
6.5.1 Recommendations.....	54
6.6 System architecture—strengthening regulation and quality.....	55
6.6.1 Strengthening the AQTF.....	55
6.6.2 Recommendation.....	56
6.6.3 Purchasing of training and quality assurance.....	56
6.6.4 The role of contracts and contract auditing in assuring quality.....	57
6.6.5 Recommendations.....	58
6.6.6 Training Packages and the development of NTS quality architecture.....	58
6.6.7 Qualifications and inter sectoral integration.....	58
6.6.8 Recent developments.....	59
6.7 Reporting on system and provider performance.....	59
7. Using information for system performance and client choice.....	60
7.1 Information and governance: why the focus on information.....	61
7.2 The role of a national VET regulator.....	61
7.3 System architecture implications—what kind of information?.....	63
7.4 Recent developments.....	65
7.5 Recommendation.....	66
8. Providing training services that meet needs.....	67
8.1 Governance dimensions of service delivery.....	68
8.1.1 Client expectations of VET providers.....	68
8.1.2 What are the implications for governance?.....	68
8.2 The value and contribution of the public provider.....	69
8.3 Governance matters for providers in the VET sector.....	71
8.4 Recommendation.....	72
Appendix A Submissions received.....	73
Appendix B Current regulatory apparatus.....	74



Foreword

Skills Australia has pleasure in releasing our findings and recommendations on *Foundations for the Future: Proposals for the Governance, Architecture and Market Design of the National Training System*.

Skills Australia has completed this analysis of governance arrangements and system architecture in the interests of ensuring the Australian tertiary education sector is well positioned to respond quickly and effectively to the skills challenges of rapidly changing global circumstances. This was the shared concern of stakeholders who expressed the vision of Australia's education and training system delivering the world's most highly skilled people, innovative enterprises actively engaging new skills and knowledge and a more cohesive and sustainable society.

This position paper is the culmination of a nine month review process involving release of two preliminary papers and numerous discussions with the wide range of stakeholders committed to the future development of the tertiary education sector and renewal of National Training System governance within the new arrangements agreed by governments.

Three overarching messages emerged during consultations. Firstly, submissions urged a reinvigorated partnership or compact between governments and industry if the foundations of the governance system are to be sound. Stakeholders were also very clear about the need for a shared national policy agenda on workforce and economic development, using the knowledge we gain from our industry partners to inform investment in skills linked to labour market needs, sustainable employment and long term careers. A toughened and more consistent national framework for regulation to deliver the highest quality outcomes and enhanced performance by the system was a further theme.

Consultations have provided broad based support for Skills Australia's views on a proposed governance model and way forward. Your insights have also allowed us to refine our final recommendations and provide further detail to clarify our arguments. Our recommendations speak in the main to requirements of the vocational education and training sector, but they are also designed to reflect the closer strategic connections that will emerge through more integrated decision-making on both the training and higher education sectors' future policy, planning and funding.

On behalf of the members of the Skills Australia Board I would like to thank all those who generously attended meetings, consultation roundtables and provided submissions to assist us in our deeper understanding of issues affecting effective governance of the National Training System.

We look forward to working in collaboration with governments, industry and providers in building on your contributions to the development of a world class tertiary education system.

Philip Bullock

Philip Bullock
Chairman
Skills Australia
June 2009



Executive Summary

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

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

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

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

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

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

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

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

Vocational education and training is a sector in which three principal parties have co-invested: the Australian Government, States and Territories and industry. This investment is substantial and should be informed by evidence of the future workforce that is needed



for Australia's resilience and social well being. We see a comprehensive and co-ordinated nation-wide network of strategic industry advice and evidence from State and Territory training agencies, Industry Skills Councils, national peak industry groups and Skills Australia as a strong platform for the development of our tertiary education sector.

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

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

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

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

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



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

An effective and mature training market depends on improvements to the amount and type of information made publicly available to users and purchasers of services. We propose the national VET regulator has the authority, through its focus on quality assurance and regulation to drive the collection, reporting and improved accessibility of provider level information. This information has to be easily accessible, engaging and informative for the public. There is also the opportunity for the national regulatory body to work with third parties, to increase the interest and value for consumers of performance information and to make it more user friendly.

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



Summary of Recommendations

Setting a unified national vision

(Recommendations Section 3.4)

It is recommended that:

- i. the Ministerial Council agrees to formalise arrangements for industry advice as a central feature of a new governance framework including:
 - independent evidence and advice on strategic policy, planning and investment decisions for the tertiary education sector drawn from a national network of industry and other stakeholder representatives (as per recommendation iii) and co-ordinated through Skills Australia, who is responsible for presenting this advice to the Ministerial Council through the Commonwealth Minister;
 - additionally, establishment of a Peak Industry Advisory Group of employer and employee representatives to meet biannually with Ministerial Council to represent their views on ways to promote skill development and utilisation
- ii. Australian governments agree to establish national statutory arrangements for VET regulation and quality led by an independent board with the expectation that over time these regulatory arrangements align and eventually integrate with those for higher education.

Providing the evidence base for policy and reform

(Recommendation Section 4.3)

It is recommended that:

- iii. the Ministerial Council agrees a nation-wide network of skills planning and industry advisory arrangements, the Strategic Industry Forum, be formalised in the new governance framework through memoranda of understanding co-ordinated by Skills Australia. Forum members will include, but not be limited to, Industry Skills Councils, members of the Peak Industry Advisory Group, State Training Authorities' representatives and education and training provider representatives. The Forum will underpin the evidence and advisory base facilitated through Skills Australia to Ministerial Council for skills planning and investment decisions.

Investing wisely and effectively in skills and workforce development

(Recommendation Section 5.2.2)

It is recommended:

- iv. Australian governments develop an investment framework for the tertiary sector based on more comprehensive and consistent data on the scale and nature of employers' expenditure on training. This evidence will enable more informed decisions for effective use of public and private expenditure on skills, which plans for and ensures this investment meets national priorities.

(Recommendations Section 5.3)

It is recommended:

- v. Australian governments agree that their investment should reflect priority skills and workforce development needs, based on industry advice, to better position Australia in a global economy, noting Skills Australia's preference for a purchasing approach as an appropriate model for market reform in VET.



- vi Australian governments agree to achieve greater choice and contestability linked to the priority skill needs of industry as the basis for intergovernmental agreement together with:
- implementation of a new national regulatory framework through an independent statutory body
 - continuing to ensure the ongoing role of public providers and their agency in regional economic development, particularly in thin markets
 - greater industry engagement in States/Territories' skills investment decisions with governance arrangements to reflect this, and
 - improved consumer information to assist choice.

Regulating and ensuring quality services and products

(Recommendations Section 6.5.1)

It is recommended:

- vii. Australian governments undertake legislative reform to establish an independent national regulatory body, absorbing the functions of State and Territory regulatory authorities, TVET Australia and reporting to Ministerial Council, noting Skills Australia's advice on:
- a single national agency model with a presence in each State and Territory to enable responsive service across regions and informed delivery of States/Territories' regulatory needs
 - the recognition in legislation of Industry Skills Councils' roles in establishing nationally agreed benchmarks for the skills and knowledge required by the workforce.
- viii. Australian governments agree the national VET regulatory body be responsible for regulatory policy, the registration and audit of VET providers operating in the domestic and international markets, accreditation of courses, final endorsement of training products based on the recommendations of Industry Skills Councils and dissemination of provider performance information on service quality and outcomes to assist users.
- ix. Australian governments agree in principle that the national VET and higher education regulatory bodies and the Australian Qualifications Framework Council would merge as the alignment of the new regulatory arrangements mature and become more stable.

(Recommendation Section 6.6.2)

It is recommended:

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

(Recommendations Section 6.6.5)

It is recommended:

- xi. Australian governments, while recognising jurisdictions' specific contract needs related to their varying regional, social or economic agendas, agree to introduce core standards for States/Territories' purchasing contracts, focusing on RTO performance requirements and evidence samples
- xii. Australian governments introduce a consistent national approach to checking the financial viability and track record of RTOs as quality providers, as a standard requirement for their eligibility for public funding



- xiii. the proposed national VET regulator work with States and Territories:
- to develop agreed core standards for purchasing contracts
 - to advise on mechanisms for implementing harmonised AQTF audit and States/Territories' auditing of purchasing contracts under a new national regulatory regime.

Using information for system performance and client choice

(Recommendation Section 7.5)

It is recommended:

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

Providing training services that meet needs

(Recommendation Section 8.4)

It is recommended:

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

