

3. Leading a unified vision for skills to support a national economy

Key points in this section:

- A more integrated tertiary education sector governance is supported with the proviso that:
 - appropriate underpinning arrangements are established to support the distinctive characteristics and mission of the National Training System
 - there is a clear role for industry in new governance and regulatory arrangements
- An integrated tertiary education sector can start in a gradual way at the strategic level through the overarching governance of the Ministerial Council and through a unified policy, planning and regulatory framework
- Industry must shape strategic skills policy, planning and reform, influence funding of skills priorities and lead quality and standards
- Greater coherence and transparency of industry leadership is emphasised through a recommended governance model.

Responses in consultations

- There was resounding support from all stakeholders for streamlined and harmonised governance across VET and higher education sectors led by a realigned Ministerial Council. Caveats were for each sector to maintain its distinctive role and mission within the new model
- A stronger connection between VET and higher education sector planning and resourcing was seen as important to better address Australia's skill and workforce development needs
- Uniform support was expressed for strong industry leadership references in the governance model—however there was confusion about the respective roles and relationships among the industry advisory arrangements suggested
- VET providers believed their role was under-represented in the proposed advisory arrangements. Some higher education stakeholders wanted to see a stronger presence for higher education in the governance framework
- Very strong support was expressed by industry and provider stakeholders for a national VET regulatory body and open-ness to a future merger of VET and higher education regulators, with the proviso of VET sector quality requirements not being subsumed. Jurisdictions expressed reservations. They were concerned about the way a national regulator might best be achieved to provide responsive regulatory services that support States/Territories' capacity to plan and deliver high quality training to meet local and regional priorities.



3.1 More integrated tertiary sector governance

In November 2008, the Ministers for Vocational Education and Training (MCVTE) agreed to seek COAG approval for an expanded Ministerial Council, in which all post-school education and employment issues would be considered by one Ministerial Council. This new governance framework was agreed to by MCEETYA in April 2009, and a new Ministerial Council for Tertiary Education and Employment will commence from 1 July 2009.

Skills Australia supports more integrated and cohesive strategic development and decision making for VET, higher education and employment policy, being led by a realigned Ministerial Council. We believe there is great synergy in combining the focus on employment and lifelong learning in order to concentrate attention on higher level skills, workforce participation and productivity.

Submissions and stakeholder feedback to Skills Australia throughout this review process have supported the new Ministerial Council arrangements with the proviso that:

- appropriate underpinning governance arrangements are established to support the distinctive characteristics and mission of the National Training System
- a clear role for industry is essential in new governance advisory arrangements and key functions, so governments' determinations are directly informed by industry advice, evidence and standards.

Meshing industry engagement and leadership in tertiary education governance is a feature of Skills Australia's proposed model at both the strategic and local levels:

- at the strategic level we see this requires a strengthened collective national vision for workforce development. This entails a renewed policy compact with industry, tougher and more consistent regulatory standards led by industry and investment decisions by jurisdictions informed by industry priorities.
- at the local level we see enterprise and provider partnerships are the cornerstone of workforce development initiatives. Providers—particularly public providers—are leaders and collaborators within local networks of small, medium and large employers. They interact with industry and employers on a daily basis developing solutions to embed the use of skill as part of organisational objectives. Industry engagement in this way at the point of training delivery will both ensure the relevance of training to the firm and reinforces the role of industry leadership nationally. (This aspect of system governance is further developed in section 8).

3.2 Industry's role in leading the National Training System

Industry leadership of the system is most likely to occur when industry is in a position to influence the direction of planning and funding of skills priorities, contribute to strategic policy and shape reform, and lead quality and standards¹³.

A number of submissions to Skills Australia believed the role of industry in governance can be strengthened, and has been overshadowed in recent times by intergovernmental policy priorities. Some submissions indicated there is inadequate high level representation by industry, particularly in national VET decision making, 'as major policy is rolled out there are no formal structures, checks or balances from an industry perspective to ensure its aspirations and intent are adhered to'¹⁴. An enhanced role for industry was envisaged as part of an improved governance model, particularly in relation to skill planning and purchasing decisions.

¹³ Australian Chamber of Commerce and Industry submission to September Discussion Paper

¹⁴ Joint submission national Industry Skills Councils



We propose there are three core functions where industry leadership and advice supports governments' vision and decision making processes and is seen to be an essential component in the governance framework:

- planning for workforce development and skills investment advice for the whole economy—from the least skilled to most skilled jobs
- strategic policy advice on NTS reform and directions for change
- quality and regulation.

Further elaboration of the proposed arrangements is provided in the sections below.

At the same time as recognising the role of industry in shaping and defining the development of the sector, Skills Australia acknowledges the input from various stakeholders that a more interconnected tertiary sector will require mechanisms to channel the expertise of all stakeholder groups. Integrating the perspectives of public and private VET providers as well as the higher education sector were points strongly made in submissions¹⁵.

Education and training providers see they have a role as equal and valued partners in the sector's policy, planning and future development. They also provide a channel for community and enterprise level input into the system 'from the ground up'.

3.2.1 Planning for investment in skills and workforce development

The Australian Government's investment in the education and skills 'revolution'¹⁶ as well as the boost from economic stimulus packages¹⁷ has heightened interest in a robust evidence base for prioritising and directing significant investment to areas of high demand and to drive and stimulate long term outcomes.

The OECD¹⁸ has been critical of systems that extensively plan provision based on skills forecasts and essentially sees the purpose of workforce planning as improved labour market intelligence so that students and trainees make more informed decisions. We generally concur with this view, but also recognise from stakeholder input to our consultations there is overarching interest among governments and industry to utilise labour market information effectively, particularly to insure against an undersupply of skills and to prevent skills wastage. Research by Karmel suggests the latter is unlikely to be an issue, as the majority of graduates work at a skill level equal or higher than their intended occupation, and that there is vocational value or relevance in the broad majority of VET courses¹⁹.

Skills Australia sees planning should add value in anticipating and preparing for global directions, not micro-managing the specifics of demand or supply for all occupations. Efforts should concentrate on selected occupations where there is good intelligence, the supply is critical, lead times are long or where infrastructure investment may be required²⁰. We see there is scope across the tertiary sector for more co-ordinated usage of labour market intelligence, particularly as it relates to specialist and critical skills.

15 Joint submission from TAFE Directors Australia, Enterprise Registered Training Organisations Group Training Australia and ACPET; TAFE NSW Managers Association; submissions from Australian Technology Network of Universities and RMIT; the ACT Accreditation and Registration Council

16 Australian Labor party (2007) *Skilling Australia for the Future; A Digital Education Revolution*, Election 2007 Policy documents

17 Prime Minister of Australia's release of \$10.4 billion Economic Security Strategy, October 2008 and \$42 billion Nation Building and Jobs Plan, February 2009

18 K, Hoeckel et al (2008) *Learning for Jobs— OECD reviews of VET Australia*, Organisation for Economic Co-operation and Development

19 The 2008 student outcomes survey by NCVET shows 37% of VET graduates—mostly those in trades—were employed in the same occupation group as their training course <http://www.ncver.edu.au/statistics/surveys/sos08/sos08.pdf>, however Karmel et al (2008) report that the matching of skill levels with occupations is generally positive, see *Is VET vocational? The relevance of training to the occupations of vocational education and training graduates*, NCVET <http://www.ncver.edu.au/statistics/surveys/publications/sp05060.pdf>

20 P Lewis (2008) *The Labour Market, Skills Demand and Skills Formation Occasional Paper 6/2008*, Skills Australia and The Academy of the Social Sciences in Australia, Canberra, page 7 <http://www.assa.edu.au/Publications/OP/op62008.pdf>



Over and above this focus on skills planning, we are keen to address planning for workforce development in order to link the uptake and application of skills in the workplace to organisational developments, innovation and productivity reforms. This will require policy collaborations involving industry, education and training providers and governments to establish the policy framework and processes for real advances in this area.

This task is of strategic importance, and different in nature from industry advice and leadership on tertiary regulation of quality and standards. Skills Australia has been requested by the Deputy Prime Minister²¹ to play a leadership role and to take a holistic approach to advising on Australia's labour market requirements and the effectiveness of both higher education and VET systems in meeting our skill needs. Liaison with higher education representative bodies, VET provider and industry representatives will be important in fulfilling this role.

We suggest it is desirable for planning and investment frameworks for the outcomes of the tertiary system to be set as a whole. This can occur through integrated planning of all public funds, collaborating with all State and Territory skills authorities, industry skills councils and jurisdictions, validating decisions on industry and employer evidence to support investment in priority areas.

3.2.2 Strategic policy and reform

Vision and direction setting for an integrated tertiary sector is not a task for governments alone.

Achieving the skills and participation targets set by COAG and proposed by Bradley, require fundamental changes in enterprise culture and investments, as well as greater responsiveness from tertiary providers—'*Dynamic changes in structures, processes, opportunities, relationships, and mindsets will need to be the drivers of change*'²². Industry will need to be engaged on the ground floor to drive these developments.

A new advisory model needs to be forged to address industry and provider engagement across the whole post compulsory and employment terrain.

Industry advisory mechanisms for the tertiary sector were not a significant focus within the higher education review. While institutional higher education governance arrangements provide for industry representation and leadership at the local level, there is no single 'entry point' for industry to influence the higher education system at the strategic level. This contrasts to the VET sector's direct and dynamic engagement with industry and enterprises at both strategic and operational level. However, the linkages and lines of leadership for industry within the NTS are currently complex and lack clarity in terms of their support for specific functions.

As skill demands and their impact across the tertiary sector are volatile, a comprehensive capacity for industry and provider advice will be important for the sector's effective response to future directions. VET and higher education provider submissions argued persuasively for mechanisms in a new governance framework for collaboration and partnerships between both industry and provider stakeholders to bridge the sectors and remove barriers to the development and funding of innovative, industry-relevant qualifications.

21 The Hon Julia Gillard MP Speech, Big Skills Conference Sydney 5 March 2009

22 The Business Higher Education Roundtable submission to the Bradley Review p3 '*The failure of the business community in general to actively engage in meaningful dialogue with the higher education sector in this country is inexcusable*'.



A significant number of stakeholders—particularly providers²³—also commented on the importance of designing a system which not only reflects the views of national industry associations and big business, but also represents groups of micro, small, and medium sized businesses. Submissions highlighted the importance of industry representation at the national level being accompanied by broader consultation to ensure accurate representation of employer views. It was argued it is most important to encourage a system that interacts with firms of all sizes, including clusters and supply chains, to stimulate and support workforce development. Demand for skills is directly influenced by business imperatives and perceptions at the enterprise level, so the governance system needs to be designed around this objective²⁴.

The overall responsiveness of the system to individuals, and individual enterprises, it was argued, will be dependent on the interaction between input at the strategic level matched with flexible and responsive funding for service delivery arrangements. Skills Australia sees that more transparent mechanisms for integrating and linking up industry and enterprise level advice on system reform and responsiveness are important for its future development and effectiveness.

3.2.3 Quality and regulation

National Training System quality and regulation has specific and unique industry leadership requirements that need to be addressed. These arise particularly in relation to the development and design of Training Packages, work based learning and assessment and overseeing the regulation of over 4,000 providers, their scope of registration and the delivery of training to industry quality standards.

Skills Australia supports independent industry leadership of a national approach to regulation of VET to progress more streamlined and integrated approaches to quality standards, content of training products and to ensure the National Training System achieves excellence, consistency, relevance and responsiveness of services and the confidence of users.

At this point a single national regulatory model for both VET and higher education is not timely, but should be an objective for the longer term as the governance platform for a more integrated tertiary sector is realised. From a practical perspective, achieving a stable national model of regulation for each sector should be a priority.

We also advise that a national regulatory body for vocational education and training should not be seen as the ‘panacea’ to all the issues relating to quality in the system—other responses for tightening quality assurance mechanisms also need to be adopted, particularly in an environment of increased funding competition. These are discussed in more detail in section 6.

3.3 A proposed way forward

A cross section of stakeholder submissions indicated aspects of the draft governance model proposed by Skills Australia required clarification—particularly in relation to the roles and relationships described for Skills Australia, the Peak Industry Advisory Group and the national network of industry advice. There were perceptions of overlap and confusion about leadership, functions and effective communication and advice to governments.

The model proposed below for more integrated tertiary education sector leadership, embeds a stronger industry evidence and advisory base for the sector’s development, as well as integrating this with a broad coalition of advice to inform Ministerial decision making.

23 Victorian TAFE Association submission; Joint TAFE Directors Australia, ERTOA, GTA, ACPET submission; State industry advisory bodies; TAFE NSW North Coast Institute—September 2008 submission

24 This point is also reinforced in the report by Phillips KPA (2006) *Knowledge Transfer and Australian Universities and Publicly Funded Research Agencies*, Canberra, DEST



3.3.1 Leading the national agenda for workforce development

Skills Australia's expanded mandate to advise on skills across the whole economy and the effectiveness of the tertiary sector in delivering the nation's requirements builds on our role *'to provide the Australian Government with advice that reflects the needs of industry to help ensure that training... is delivered in a way that responds to those needs'*²⁵. A comprehensive engagement with industry and stakeholders across the VET and higher education sectors is central for Skills Australia achieving this function.

Stakeholders have agreed that the Industry Skills Councils are 'the glue'²⁶ of the NTS and state and territory industry advisory bodies as well as peak industry bodies also provide the core and critical conduits for industry's voice in this new environment. Provider input, through their peak bodies, is also important as they are operationally responsible for the responsiveness, quality and relevance of the sector. Providers also assist in providing the perspective of small enterprises, the community, learners, particularly those who are disadvantaged, being taken into account in governance arrangements. We see this engagement is important if both a productive and inclusive skills base for Australia's future is to be achieved.

Skills Australia proposes new advisory arrangements and functional links between these bodies and Skills Australia provide a comprehensive source of expert advice to all governments on matters relating to policy, planning and investment for the post secondary sector to ensure the responsiveness of the sector and the better use of skills in employment.

Skills Australia sees itself acting as a catalyst to facilitate the channelling of comprehensive industry evidence to all governments on the future workforce and prioritisation of funding allocations in relation to total public investment in Australia's skill needs.

It does not however have a direct relationship to Ministerial Council, but envisages this would occur through the Commonwealth Minister.

3.3.2 An effective national network of advice for the tertiary sector

In establishing reinvigorated national industry advisory relationships with governments, there is the opportunity to streamline, strengthen and make more transparent the key advisory functions industry provides to governments and the relationship between national and state bodies. Skills Australia has been developing these arrangements via more formalised relationships with Industry Skills Councils, State Training Authorities and other peak industry, professional bodies and expert sources. The coalition of interests has been progressed through a series of Memoranda of Understanding as well as the establishment of a Strategic Industry Forum²⁷. A Memorandum of Understanding is also under development with Universities Australia.

We envisage the Strategic Industry Forum as a co-ordinated nation-wide network of industry advice and evidence from State and Territory training authorities, Industry Skills Councils, national peak industry groups and Universities Australia led by Skills Australia. We also see this being extended to include the perspectives of peak VET provider representatives.

25 Australian Government (2008) *Skilling Australia for the Future- Discussion Paper*. The Australian Labor Party 2007 election policy statement (page 12) and the second reading speech for the establishment of Skills Australia (page 3) stated it would *'bring together information (assess evidence) from commissioned research and industry stakeholders to inform Australia's workforce development needs'*.

26 Australian Council of Trade Unions and Australian Manufacturing Workers Union submissions

27 Communiqué and working paper for the Strategic Industry Forum, 20 February can be found at: http://www.skillsaustralia.gov.au/Publications_and_Resources/Skills_Australia_public_papers.htm#Industry_Skills_Forum



We believe this to be a strong and comprehensive platform for informing governments' vision and decision-making for the tertiary education sector's development and particularly its responsiveness to increased participation level and achievement of higher level skills by lower socio-economic status learners.

A work program has been identified by the Strategic Industry Forum and is being facilitated by Skills Australia. This coalition would further inform the functions of Skills Australia in providing advice and recommendations to governments on:

- strategic policy and planning related to the skill requirements for the whole economy
- priorities for national skills investment decisions and
- tertiary sector effectiveness.

3.3.3 A direct voice for industry

Skills Australia proposes a specific role for a Peak Industry Advisory Group with membership drawn from the major employer and employee representative associations²⁸ to meet biannually with Ministerial Council. The importance of employer and employee representatives having direct communications with all governments on strategic issues in relation to the National Training System is recognised. Peak industry bodies should have the opportunity to raise with Ministers their common concerns in relation to more effective industry participation in skills development, uptake of training and embedding utilisation of skills as part of Australia's productive and innovative potential.

The Peak Industry Advisory Group would not duplicate the work of Skills Australia, but rather provide the opportunity for industry and employer views on Australia's skill challenges to be directly conveyed to governments.

It is envisaged the Group would conduct a forum of members prior to Ministerial Council on matters to be advised. Collaboration between the Group and Skills Australia will take place as its members are also part of the Strategic Industry Forum. Joint sessions with Ministerial Council may be relevant from time to time.

3.3.4 A new governance model for regulation and quality

The model below reflects our recommendations for establishment of two, initially separate specialist national regulatory bodies for VET and higher education regulation reporting to Ministerial Council. They would work together to align consistent national frameworks for each sector. The statutory VET regulatory body would comprise independent experts and be responsible for NTS quality, regulation and dissemination of provider performance information. Functions managed through the Ministerial company, TVET Australia, would be absorbed under this new body. We see an important future role for the National Centre for Vocational Education Research (NCVER) working closely with the national VET regulator in developing consumer focused information on provider performance. NCVER would also support Skills Australia with the evidence from research on tertiary sector effectiveness.

The priority for more integrated national tertiary sector regulation should be guaranteed articulation so individuals with VET qualifications can transfer seamlessly between VET and higher education. Over time, once this architecture is robust it is expected these bodies should merge. See section 6 for more detailed rationale and discussion of regulation and quality proposals.

²⁸ Membership of this group is envisaged to include the Australian Chamber of Commerce and Industry, Business Council of Australia, the National Farmers Federation, the Australian Council of Trade Unions and the Australian Industry Group



3.4 Recommendations

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.

The key features of the national advisory arrangements for the NTS and a more integrated tertiary education system are described in the following model:

Proposed governance model for Australian tertiary education

