

# 2. The context for Skills Australia's advice

## 2.1 Skills Australia's position on the threshold issues

This section briefly discusses some of the threshold issues that underpin the question of a better governance model for the training system. It discusses the distinctive nature of VET and provides Skills Australia's views on key policy questions that have informed our thinking on future governance and architecture proposals.

Some of the significant policy questions that have framed Skills Australia's deliberations on system governance were:

- What is the nature of governance in a more integrated tertiary sector while still respecting and supporting the distinctive characteristics of vocational education and training?
- How can tertiary education governance better support increased participation, especially by those from lower socio economic groups?
- How do we best clarify and position industry's role in National Training System governance?
- What is the relationship between governments in tertiary education governance?
- What is the nature of skills investment and its effective management to achieve strategic outcomes?
- How can we improve quality and simplify regulatory arrangements?

### 2.1.1 Governance for a more integrated sector

Skills Australia supports a more integrated tertiary sector governance model and affirms the important distinctive functions of the higher education and VET sectors in relation to the national development of workforce skills. At the same time, Skills Australia recognises the value of a stronger policy alignment of these sectors through a Ministerial Council for Tertiary Education and Employment. This is an important starting point for new governance arrangements.

The intention of the Bradley recommendations is that tertiary education should be a continuum of tertiary skills provision, with better connections across the sectors resulting in stronger and clearer pathways between the VET and higher education sectors in both directions. However, given the variety of people's needs, the two sectors should remain distinct in their educational offerings and roles.

*“Harmonised planning, advice about needs and coordination of delivery are what is needed—not the subsuming of one sector by the other”<sup>8</sup>. Skills Australia strongly agrees this is an essential foundation objective for future, better integrated governance arrangements.*

The VET sector has unique and distinctive features that should not be obscured in future governance. This point resonated across stakeholder comments and submissions. While supporting the concept of an overarching body for an integrated tertiary sector, all emphasised it is critical to retain the differing features and requirements of the two sectors—especially industry's strong engagement with vocational education and training.

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8 Bradley, op cit p181



The VET sector's chief focus continues to be the delivery of practical and applied skills underpinned by national standards set by industry. VET is intrinsically linked to the needs of business and industry, with competency standards, qualifications and assessment guidelines designed and endorsed by industry to meet their needs and able to be customised to suit specific enterprise contexts. Industry is woven into the fabric of the sector as evidenced by its role in developing Training Packages and delivery of structured work based training. In the VET sector, industry has led the development of workplace skill and qualification requirements from entry to para-professionals levels.

While Skills Australia recognises the need for higher education to become more tightly aligned with Australia's economic, employment and social policies as well as industry and workforce development, we see its functions as encompassing intellectual leadership and scholarship, research and inquiry, as well as vocational and generalist education. The pedagogy and nature of assessment in the two sectors is differentiated particularly in terms of VET's competency-based approach to practical, work based learning with enterprises as partners.

## 2.1.2 Improved participation

*Skills Australia sees increased training participation, higher level skills and improved outcomes leading to employment by those from lower socio economic status (SES) groups as the most significant goal to be achieved through a more integrated tertiary education sector.*

Skills Australia supports the targets proposed by the Bradley review, and supported by government of 40% of 25–34 year olds attaining a bachelor qualification by 2025. It is also consistent with the COAG targets to halve the proportion of 20–64 year olds without qualifications at Certificate III level by 2020. As Bradley cogently argues, achievement of these targets will require measures to ensure higher participation by students from lower SES backgrounds.

Skills Australia adds that in order to create a fundamental shift, this also means translating increased participation in training into skills that are used in employment. This is where the vocational education and training sector's link to industry and enterprises plays a critical part.

Although the vocational education and training sector has a strong record on participation by traditionally under-represented groups compared to higher education, there is no room for complacency. The VET sector has a high wastage rate through course non completion and uneven participation in higher level programs by those from lower socio-economic groups<sup>9</sup>. Skills Australia is of the view that improved links between universities and other education institutions—particularly an improvement in credit and articulation arrangements is an important route for increased higher level skills by low SES groups and reduced sectoral and institutional stratification. The priority is for VET and higher education institutions to work collaboratively with the schools and families of young people from low SES groups, especially in regional Australia, to improve their aspirations and post school pathways so there is increased motivation and support to transition to further education. Realistically this improvement in aspirations and school performance, as the key to increased participation in higher education, is more likely to be achieved through arrangements that target schools and VET programs for students from these households.

Regional areas have tended to foster institutional cooperation. The collaboration between Charles Sturt University and TAFE NSW Riverina Institute is a highly regarded example. These are models that can be more widely and consistently applied and supported through new governance arrangements. We favour an approach of intensive collaboration and articulation between RTOs and higher education providers rather than imposed structural 'solutions'. Institutional mergers, either between universities, or VET—higher education institutions, unless adopted consensually, often have long lag times in producing greater effectiveness.

<sup>9</sup> Wheelahan, L (2008) *What kind of access does VET provide to higher education for low SES students? Not a lot* <http://www.unisa.edu.au/hawkeinstitute/ncsehe/student-equity-forum-2009/Wheelahan-what-kind-of-access.pdf>



### 2.1.3 Industry leadership and system development

The international study commissioned by Skills Australia found that one of the strengths of Australia's VET system is employer and industry involvement, both formal and informal, at all levels. Compared to countries of similar VET system history, Australia *'does a better job of integrating and co-opting industry parties as partners. Much of the institutional apparatus in Australia has acquired legitimacy over time—industry advisory arrangements, the boards of state training authorities, enterprise RTOs'*<sup>10</sup>.

But there was a strong theme in submissions to Skills Australia that over recent years industry engagement in vocational education and training governance had been eroded, and there is a need to restore a central role and authority for industry in guiding the strategic development and operation of the National Training System<sup>11</sup>.

The challenge for governance is to address how industry's interests are best represented to both the Commonwealth and State Ministers and through them to the new Ministerial Council.

We recognise the substantial reforms to the previously supply driven training system that have been achieved through industry leadership of and involvement in VET over the last 15 years.

*Achieving ongoing up-skilling and increased training participation during the economic downturn and throughout the recovery will entail intensive efforts and national partnerships with industry and employers.*

Skills Australia notes the governance model put forward in the Bradley Report represents Industry Skills Councils as the source of industry advice on regulation. We however argue for comprehensive industry advice in all aspects of tertiary education governance at state and national levels. An effective coalition across all industry parties should inform and influence national skills policy, strategy, planning, funding, regulation and quality, system reform and Ministerial decision making.

Our position and model recognises the significant role played by industry in informing and grounding the direction of changes in the tertiary sector to ensure the system is able to meet the challenges of the changing global economy and employment market. We see a role for strengthened, more coherent and more transparent industry linkages in system governance. In acknowledgement of stakeholder submissions we also recognise that providers are responsible for implementing the sector's development and seek a part in the advisory arrangements and its future.

### 2.1.4 The role of governments

Vocational education and training is a sector in which governments—both the States and the Commonwealth—will continue to co-invest together with industry as their major partner.

The Council of Australian Governments (COAG) has had a recent prominent role in driving the policy reform agenda for human capital development and particularly in establishing new intergovernmental financial arrangements. New resource arrangements, reached in the National Agreement for Skills and Workforce Development in December 2008, are an intergovernmental commitment to collaboration and increased Australian, State and Territory governments' investment in higher skills levels for all Australians. Currently the COAG working group on Skills and Workforce Development has been tasked with overseeing work in relation to future policy directions detailed in the National Agreement as well as reporting on operational models for a more cohesive national regulatory arrangement for VET including for a national VET regulatory body to be brought to COAG in 2009.

<sup>10</sup> M Cully et al, op cit p 10

<sup>11</sup> Group Training Australia submission (September 2008): *'We have been talking about an industry-led system for a very long time now and yet we still do not seem to feel that we have one'*.  
National Farmers Federation submission (September 2008): *'Even bodies that industry has strong engagement with ...have also been disempowered not just in the Ministerial decision making processes but with COAG taking greater leadership in VET, (they ) are not involved whatsoever in shaping or guiding the training system evolution'*.



*Skills Australia acknowledges States will have an ongoing and legitimate interest in using education and training as a key part of their specific economic and social development strategies, funding and utilising a robust public TAFE sector and diverse private VET providers in response to regional and local skill challenges.*

For the foreseeable future, the States and Territories are likely to remain an underpinning feature for the national governance of an integrated tertiary sector.

Thus the model for new tertiary education sector governance arrangements proposed by Skills Australia recognises States' joint leadership of policy and their principal funding role for vocational education and training, while acknowledging opportunities for inter-sectoral co-ordination. Market design in the VET sector at this stage will require the co-operation of States and Territories to achieve strategic outcomes.

### **2.1.5 The nature of investment**

Our consultations have emphasised the importance of governments', employers' and individuals' investment being directed to ensure increased access to tertiary education and effective outcomes. That is, knowledge that can be translated to economic benefit through jobs, innovation and productivity. The ability to prioritise and target to meet regional and local needs was also recognised as important.

A more robust evidence base and coordinated advice from industry and jurisdictions needs to inform the best combination of public and private investments. This is critical to inform national and state investment decisions. In many respects, our knowledge base of total investment in skills, and the drivers of that investment is poor.

Skills Australia supports a planned investment approach based on a managed market, which allows vocational education and training to be aligned with economic development needs. We see such a model can provide for consumer led training (that is, by individuals and enterprises), but should ensure the direction and distribution of activity is aligned closely to community and industry needs rather than an open ended entitlement approach.

Considering the distinctive nature of the VET sector's supply of skills for industry and the shared responsibilities between the States and the Australian Government for ensuring the nation has the skill base it requires, Skills Australia does not support an unrestricted, student demand led voucher type model for future investment in skills supplied through the VET sector. We see public investment in skills can be most effective when based on sound evidence of emerging workforce development and skills needs of the economy developed after consideration of industry derived analysis. We believe this as the best way to ensure skills are ultimately used in employment, lead to sustainable careers and contribute to high performing enterprises.

*Within this framework, Skills Australia sees continuing reform of the training market as essential, including changes to increase consumer choice, more public information about provider performance and outcomes and strengthened purchasing arrangements to underpin an increase in the proportion of funding that is contestable among high quality providers of training.*

Detailed management of the training market is seen as best devolved to States who take on the predominant role of purchasers of publicly funded places under the new National Agreement. It is their role to determine resource allocation within the State/Territory and to ensure the effective operation and expansion of the training market, according to the regional market characteristics within the State/Territory, and that public funds are only accessed by quality providers.



We see the expansion of contestability would be conditional on stronger safeguards being in place to ensure the quality of training, equity of access, and additional funding to the public provider to meet its core responsibilities, particularly in thin markets.

### **2.1.6 More consistency and streamlined national regulation**

Our consultations confirmed views that the Australian National Training System (NTS) functions well, is highly regarded and achieves good outcomes in terms of jobs for graduates, student and employer satisfaction. However, stakeholder discussions, submissions and research acknowledge the complexity of our system and the need to streamline, coordinate, and decongest its governance. NCVET country comparison research notes that an aspect of Australia's governance arrangements that causes additional complexity is jurisdictional differences in regulation and quality enforcement<sup>12</sup>.

The Bradley Review recommendations outlined a model for a single national regulator across the tertiary sector. We support a coordinated national approach to tertiary sector regulation. However, the single regulator model as suggested by Bradley may need to evolve over several stages.

We propose an initial stage of two separate national regulatory bodies—one for higher education and one for VET, working together to establish and align consistent national frameworks for each sector to be achieved in the first year of operation. We expect that when this architecture is sufficiently robust these bodies should merge. We also see there is a natural relationship for the functions of the Australian Qualifications Framework Council within this integrated statutory arrangement. Since our draft position paper was released, the COAG Hobart communiqué on 30 April announced in principle agreement for a national VET regulatory approach and the 2009/10 Commonwealth budget has made provision for a Tertiary Education Quality and Standards Agency. It is important for the development of these models and the legislative mechanisms of each to be co-ordinated, so that future 'silos' or inconsistencies can be avoided.

The priority for more consistent sectoral relationships, system architecture and regulation should be guaranteed articulation so individuals with VET qualifications can transfer seamlessly (in both directions) between VET and higher education. The Board endorses the essential work of the Australian Qualifications Framework Council to establish parity and greater national consistency between university and VET sector qualifications and mechanisms for competency-based and merit-based systems to more readily inter-relate, for the benefit of students.

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12 M Cully et al, op cit p9

