



Investing in skills for a more productive future

Communiqué following the third Strategic Industry Forum
2 June 2010

Industry leaders reviewed a range of possible changes to the funding of Australia's vocational education and training (VET) system.

The system is challenged by increasing demand which Skills Australia in its recent workforce development strategy projected will run at 3 per cent per annum for VET and Higher Education over the next 15 years. Investment in skills will help lift Australia's workforce participation, improve adult literacy, and increase productivity, employment opportunities and job satisfaction.

The Strategic Industry Forum consisting of the leaders of peak industry and advisory bodies in Australia's skills sector, met in Canberra on 2 June 2010 to consider ways of further developing the funding system for the VET sector.

This funding must be structured to encourage and provide access for people to acquire skills and obtain qualifications, to support employers to develop their workforces for productivity and innovation and skills training providers to deliver the level of quality which meets Australia's current and future training needs.

The meeting benefited from presentations on funding and skills utilisation by international expert Professor David Finegold of Rutgers University, New York and Australian expert Peter Noonan.

Professor Finegold described examples of innovative approaches involving industry, individual and government contributions to workforce development and VET. Professor Finegold's summation was that Australia had competitive advantage in the way that it has organised its skill system over a twenty year period to be industry led and nationally integrated, but faced similar challenges to other OECD countries in meeting both the breadth and depth of skills that people need for the 21st century.

Peter Noonan, a well known and experienced researcher and industry figure in the Australian skills system, presented the Forum with an overview of the report that he and co-researchers have presented to Skills Australia on investment in VET.

Peter reconfirmed the strong consensus by all parties in the national system about the connection between investment in skills, workforce participation and productivity. VET remains reasonably affordable to the majority of Australians – a factor which supports its high VET participation rates amongst Australians of many ages and backgrounds.

Peter pointed out that there is a growing disparity between the rates of growth of VET, schools and Higher Education funding. However, there is a current offer from the Commonwealth to the States that extends income contingent loans for advanced VET qualifications that could help address some of this disparity.

The Noonan report has found that in real terms, revenue from fee for service activity in VET has grown more quickly than direct revenue from government. However, the data on this is incomplete and as a result probably underestimates contributions.



Peter also pointed out that funding per hour of delivery for VET providers had fallen in the past few years though enrolments had been maintained. This may well indicate that the VET system is operating more efficiently but raises concerns about delivery quality and the ability to fund student support required for disadvantaged groups.

The VET system is currently a shared responsibility between the commonwealth and the state governments. This results in nationally consistent policy combined with flexibility to respond to local needs and local issues. However, the duality of the system means that there is always concern about who should pay for what and how much.

The meeting considered several of the investment and funding improvement options in Noonan's report. These include Commonwealth funding of VET Diplomas and Advanced Diplomas, funding based on performance and outcomes, funding of enterprises for workforce development, funding of VET in schools, tax offsets for qualifications, income contingent student loans and better and more complete measurement of both investment and performance in VET.

The two previous Strategic Industry Forums considered two equally important priorities:

- the need for a national workforce development strategy, since published by Skills Australia as Australia's Workforce Futures, and
- lifting quality in training. An important component has been the decision to establish a national regulator for the VET system.

Proposals for the investment and funding issues and options will be further developed during the remainder of this year.

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on behalf of ISC Chairs, Peak Body Representatives, STA Chairs and Skills Australia

Enquiries: Sue Beitz

Secretariat

Skills Australia Ph: 02 6240 5784 or 0422 806 548