



**TAFE  
DIRECTORS  
AUSTRALIA**

# **SUBMISSION**

## **Submission to the Productivity Commission**

from TAFE Directors Australia

# **Review of the National Agreement for Skills and Workforce Development**

### **Contact**

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Thank you for the opportunity to contribute to the Productivity Commission Enquiry into the National Agreement on Skills and Workforce Development (NASWD).

This enquiry presents an opportunity to reconsider the place and role of vocational education and training in Australia, with focus returning to vocational education. In the context of economic restructuring and transformation being triggered by automation and digitisation across most aspects of the economy and society, there is an important need to re-conceptualise vocational education.

## **About TAFE**

TAFEs are the core of delivery of vocational education and training (VET) in Australia. Despite the concerns about the declining participation levels in VET and the poor state of some aspects of the sector, which has given rise to the Strengthening Skills review by the Hon Steven Joyce, TAFEs have remained the bedrock of delivery.

Many TAFEs have had their registration as providers renewed for seven-year periods following rigorous assessments by the Australian Skills Quality Authority (ASQA), the regulator. This reflects the commitment of TAFEs to quality delivery aligned to needs expressed by industry through national industry training packages.

TAFE Directors Australia (TDA) represents TAFEs across Australia and TAFE divisions within dual sector universities. Many TAFEs offer schooling and higher education in addition to their core business of formal vocational education and training.

In international education, TAFEs have a small share of international VET students studying in Australia but have strong overseas VET programs. Some TAFEs enrol reasonable numbers of higher education international students.

TAFEs deliver around 60 per cent of publicly funded vocational education in terms of subjects and nominal hours.

Individual TAFEs may also make individual submissions representing their specific perspective.

## **Overview**

The issues paper prepared by the Productivity Commission covers many aspects of vocational education and training in Australia, clearly responding to the terms of reference from the Treasurer.

Even though the NASWD represents less than a fifth of the public funding into the sector, as a head agreement between levels of government it sets the scene for public policy for the VET sector.

This submission, therefore, seeks to address broader issues impacting upon the effectiveness of the sector, including a range of exogenous factors impacting upon the performance of VET and therefore the effectiveness of the NASWD. Many of those issues are technical in

nature and best addressed through detailed analysis of data best undertaken by the Productivity Commission, although some specific issues are addressed.

The discussion paper asks for views on core elements of vocational education in Australia. Overall, given the state of the sector and despite the recommendations from the Hon Steven Joyce in his report, Strengthening Skills, VET in Australia is in need of a fundamental re-think because most indicators point to the fundamental issue that most Australians are not choosing to participate in the form of training on offer from the sector.

## The Context

VET, as a key intervention in the economy and society, makes a major contribution to the fabric of Australian society. A more productive and efficient economy is the key to higher living standards and an inclusive society and VET makes a major contribution, evidenced by 30.6 per cent of the Australian population aged over 15 as at the 2016 Census of Population and Housing<sup>1</sup>.

Australia is an open economy, service orientated, and, as a global trading nation, increasingly reliant on engaging in global supply chains. It is no longer a closed industrial economy, that mainly serviced a domestic market, based on the production of goods underpinned by 'fodder for the factory'.

Australia has in place 11 free trade agreements, of either a bi-lateral or multi-lateral nature; a further four expected to come into force; and a further eight under or commencing negotiation<sup>2</sup>. Australia's economy is dominated by the services sector, which accounts for more than 75 per cent of real gross value added (GVA) in terms of contribution to the Australian economy<sup>3</sup>. On average, over the last five years, services made up nearly a quarter of Australia's total trade in value<sup>4</sup>. Skills and talent of Australians therefore play an important part in building Australia's global competitiveness.

If free trade, which has bipartisan support, is based on the concept of comparative advantage between trading nations, then recent analysis by the Mitchell Institute on VET participation reflects on the longer-term prognosis for the Australian economy.

Based on Australian Bureau of Statistics (ABS) and National Centre for Vocational Education Research (NCVER) data, the Mitchell Institute shows higher education participation rates for 15–24-year-olds over the five years to 2017 flat lined at about 18.4 per cent, and expected under current settings to remain at that level, while for VET participation rates for 15–24-year-olds in the same five years has actually fallen to around 12 per cent and expected under current settings to fall to about eight per cent. The overall higher education and VET participation rates for 15-64-year-olds is even worse. The Mitchell Institute also

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<sup>1</sup><https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2071.0~2016~Main%20Features~Educational%20Qualifications%20Data%20Summary%20~65>

<sup>2</sup> <https://dfat.gov.au/trade/agreements/Pages/trade-agreements.aspx> accessed 6 January 2020

<sup>3</sup> Australian Bureau of Statistics Cat. No. 5206.0 Australian National Accounts: National Income, Expenditure and Product, Table 37. Industry Gross Value Added, Chain volume measures, Annual (released 5 September 2018), Time Series Workbook. @ <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5206.0Mar%202018?OpenDocument>

<sup>4</sup> <https://dfat.gov.au/about-us/publications/Documents/trade-in-services-australia-2018.pdf>

notes in the current tertiary education system, the VET student often ends up paying similar or more money toward their course of study and receives less public subsidy, to end up in a job that pays less than the university equivalent<sup>5</sup>.

This is at a time when China is implementing 1+X (or as Chinese officials have stated as 1+X+X...) to raise the status of vocational education to eradicate a common mindset, in its view, that vocational education is a “second choice” to an academic degree<sup>6</sup>, while Malaysia’s National TVET Campaign aims to promote TVET as not just another option, but for students to make it their main choice of education and career<sup>7</sup>. Raising the status of vocational education is a common approach across Asia in response to globalisation and Industry 4.0.

At Senate Estimates in October 2019 the Department of the Treasury Secretary, Dr Steven Kennedy, stated that labour productivity growth in Australia has slowed from an average rate of 1.5 per cent annually over the past 30 years to just 0.7 per cent annually over the past five years. He further states that the Treasury was unsure of how much of the current slowing is cyclical and how much is structural. Capital deepening – having more capital available for each worker — accounted for around two thirds of labour productivity over the past 30 years in Australia. Dr Kennedy also stated that it is not clear what business investment looks like in a world where more than two-thirds of the Australian economy is services based. Structural changes in the economy may well be at play, with the most important long-term contribution to wage growth being labour productivity.

The global trading context supported by high speed telecommunications threatens to bring the fourth industrial revolution to large parts of the Australian economy quickly.

## **The post-school sector is out of balance**

The current NASWD coincided with the introduction of the demand driven approach to Commonwealth Supported Places for Australian universities. In the early stages of the NASWD and the supporting National Partnership for Skills Reform, most states and territories opened-up their VET funding and the Commonwealth opened-up student loans via VET FEE-HELP to encourage growth in participation. Blow-outs in expenditure to fund the rapid growth in VET places resulted in most governments being forced in recent years to moderate their approaches to funding of VET, especially as a not insignificant proportion of the growth was of poor quality and in some cases exploitative of students. As a result, VET has seen decreasing enrolments and even worse declining participation rates in recent years. During this period demand driven funding for university under-graduate places continued, although it has been capped in recent years.

As a result, the balance between VET and higher education in meeting labour market needs, and the outcome expected of both sectors seems at odds with labour demand. While jobs forecasts point to a strong growth in occupations met through university graduates (in line

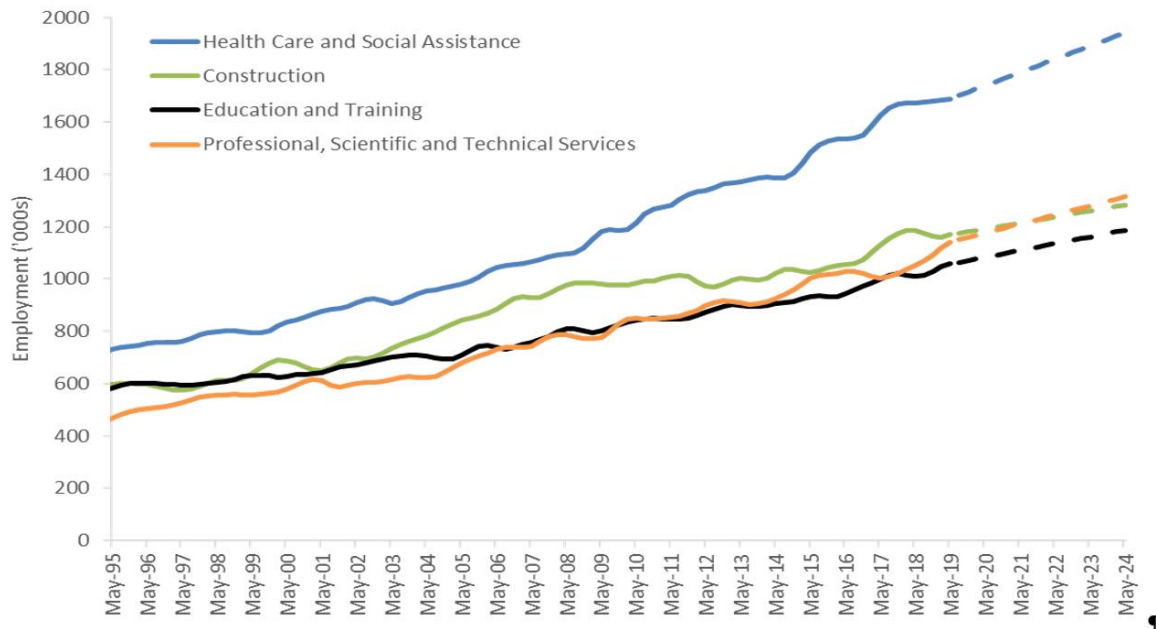
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<sup>5</sup> <http://www.mitchellinstitute.org.au/wp-content/uploads/2019/05/Rethinking-and-revitalising-tertiary-education-FINAL.pdf> accessed 6 January 2020, see pages 7,8, and 15.

<sup>6</sup> <https://internationaleducation.gov.au/News/Latest-News/Pages/China-announces-major-reform-to-vocational-education-sector.aspx> accessed 6 January 2020

<sup>7</sup> <https://www.nst.com.my/education/2019/10/526383/getting-industry-lead-tvet> accessed 6 January 2020

with the increasing knowledge-based economic activity) graduate outcomes seem to be declining, especially in terms of the time taken to secure full-time employment post study. At the same time, there is significant growth forecast in jobs that require VET preparation, as follows, but whether there is sufficient supply of VET graduates for the demand is unclear:<sup>8</sup>



While there could be other broader economic and cultural factors at play, it is not too implausible to conclude there is imbalance between the sectors in terms of meeting labour and skill needs.

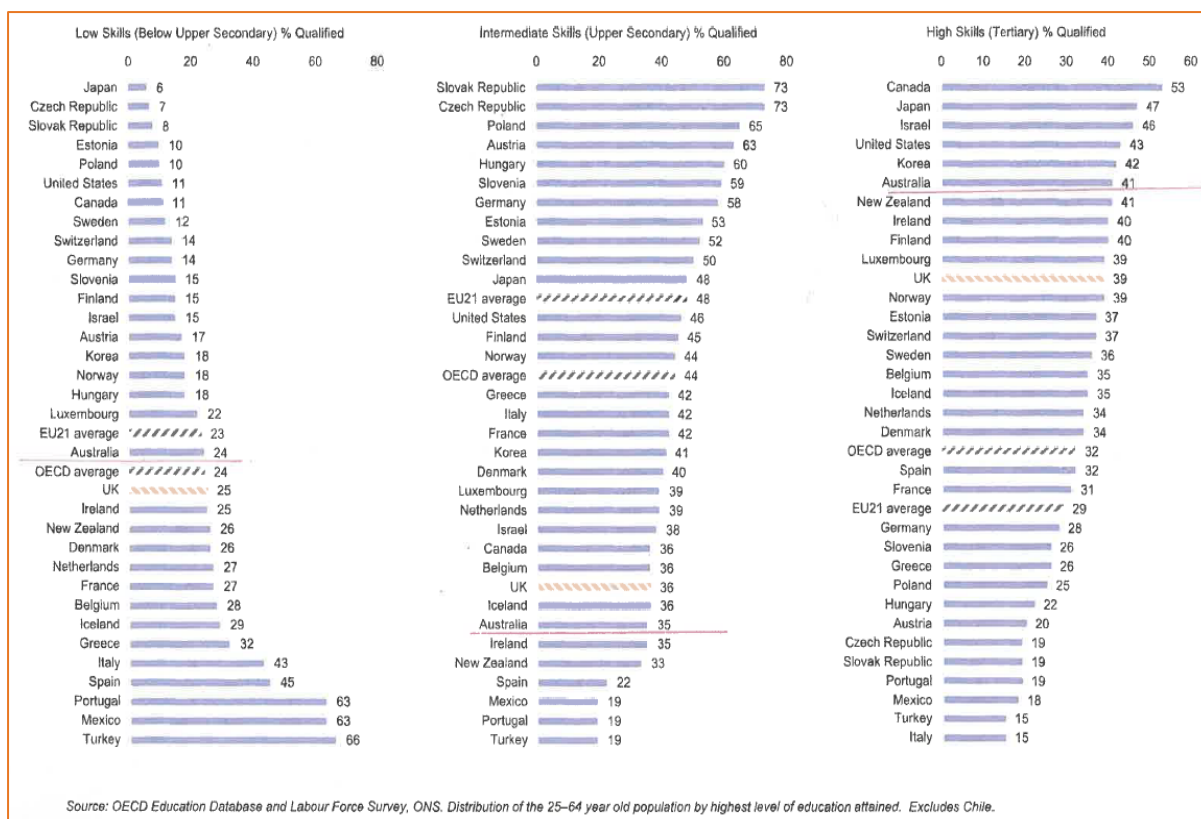
This is supported by international comparisons. Research by Mackenzie<sup>9</sup> contends that

Over the past couple of decades, Australia has hollowed out its workforce to such an extent that the OECD has ranked us the seventh worst performer in relation to intermediate skills in the workforce. Australia sits alongside some of the world's poorest performing OECD countries and least educated economies (Portugal, Turkey, Mexico) in this regard. For a highly developed country, it is disturbing to see that Australia has large numbers of unskilled workers and sits at the OECD average for low skills (see table below).

While direct comparison of VET in Australia to OECD measures is not clear the chart below points to a disproportionate level of low skill qualified population aged between 25-64 compared to similar countries such as Canada. In circumstances where the level of skill and calibre of talent will attract global business, this data would point to a need for uplift in skills from the low and intermediate levels.

<sup>8</sup> <http://lmip.gov.au/default.aspx?LMIP/GainInsights/EmploymentProjections>

<sup>9</sup> Fit for purpose? Reforming tertiary education in Australia - Discussion Paper <https://holmesglen.edu.au/Industry/Mackenzie-Research-Institute/Research-papers/>



The effectiveness of the NASWD, therefore, cannot be assessed fully without considering the impact of higher education. TDA suggests a key area of investigation in this enquiry should be the respective role of vocational and higher education in meeting the economic and social demands for Australia, especially to maintain its competitive advantages. The Joyce review did not have time to undertake detailed analysis of the trends in all post-school destinations and it would be worthwhile for analysis in this area to be undertaken now to inform any future directions for VET and the level of investments required.

Noting the economic benefits derived from the recent uplift in participation in higher education the solution is not to transfer funds between sectors but to grow participation in vocational education. This would give a participation and economic boost like that derived from higher education, particularly given the clear demand for skilled jobs requiring vocational preparation and the need to reposition workers across the skills profile.

## A Renewed VET sector needs to be considered

In order for a renewed NASWD to be effective, to the extent that it signals the broader agreement between governments about the role of VET, new approaches to vocational education need to be considered.

The Joyce Review has signalled some areas of reform although these go mainly to organisational arrangements and aligning incentives for agents in the sector. In any event, the extent of the implementation of his recommendations will be determined by decisions of COAG concerning the VET Road Map, which will be the shared priorities of governments, responding, in part, to the Joyce review and the Commonwealth's *Skills for Today and*

*Tomorrow* package. Stakeholders have not yet had the opportunity of engaging with the roadmap work.

There are a range of issues giving rise to questions about the fundamentals of VET in Australia:

- the imbalance in supply of tertiary education compared to labour market demand, as described earlier, which risks under supply of skilled workers for key jobs in demand;
- increasing global production processes enabled by automation and digitisation, which may threaten jobs but at the very least requires new skills;
- global trade forces, which require countries to have higher order skills and talent to take up trade opportunities, despite current trade disruptions;
- the decline in productivity growth, which is pointing to issues within Australian firms; and
- persistent wage stagnation (since the end of the resources boom), particularly at the intermediate skill level of the labour market, which VET tends to serve.

Data and commentary point to new approaches required in VET.

Examination of most VET student data shows participation rates are declining as well is the training effort per student. Examination of the age profile of VET also suggests VET is being treated as a catch-up or re-skilling option for participants. The analysis by NCVET of pathways over time of several LSAY cohorts<sup>10</sup> shows many school graduates are choosing university or work as the post-school destination. Whether this has been a consistent feature of VET needs some examination, but it would appear VET has lost its attractiveness for school graduates. Whether that is due to funding issues, attractiveness of courses, concern about wage dividends from VET courses or cultural biases needs careful examination. One thing that is clear is that retaining current approaches, including more market-based interventions, is unlikely to be successful.

The rationale for the division between VET and higher education is also unclear. This is nicely summarised by Valeria Braithwaite<sup>11</sup>

In the past a sharp line has been drawn between education and training, teachers and trainers, and students and learners. The divide is captured by universities at one extreme with a quest to discover new knowledge, and vocational education at the other extreme with a quest to apply knowledge and develop practical skills. The distance between institutions that deliver academic and applied skills, however, is being fast whittled away. In part this is due to the technological revolution that requires everyone to sharpen and broaden problem-solving capacities. The traditional university agenda of discovery in a new age requires practical and operational skills. The traditional VET agenda of skill acquisition must deal with problem solving for skill transferability and skill adaptation. National productivity is seen today as dependent on synergy between the sectors.

The other part of the story of the shrinking gap between higher education and VET is the explosion of jobs at the knowledge-skill interface. Childcare educators today aspire to a

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<sup>10</sup> <https://www.ncver.edu.au/research-and-statistics/infographics/visualising-school-to-work-pathways-using-lsay>

<sup>11</sup> <https://docs.employment.gov.au/documents/all-eyes-quality-review-national-vocational-education-and-training-regulator-act-2011>

deeper knowledge of child development as well as having the skills to care for infants and young children. Three-dimensional printing of metal parts for traditional and as yet unknown uses is another example of where theory and application, university-based knowledge, and VET based knowledge, collide.

As boundaries blur, the common elements of learning and teaching across sectors become clearer; discovering and imparting knowledge, discovering and sharing applications of knowledge, and serving students through building their confidence and interest in lifelong learning.

The expected changes in job roles arising from automation and digitisation will give rise to increase demand for upskilling of existing workers to operate with new technologies in the production and service processes. Cisco/Optus<sup>12</sup> and Oxford Economics highlight the need for a new breed of workers to support technology deployment plus upskill workers with digital capabilities to support most industry sectors as they take up new technology enabled processes. Operators in technology rich industries and enterprises will need new capabilities such as high-level problem solving, sophisticated interpersonal skills and liaison in order to apply the technology into production and service processes.

## **The current model of VET was suited to another time**

The current approach in VET – in the way training is framed, specified, delivered and assured - does not appear suited to these new priorities. Qualifications take too long to be developed and endorsed, making them out of date; they are too heavy on minute level details about delivery, and hinder holistic delivery with education integrity.

A description of the model is provided at **Attachment A**.

## **The national imperative hampers responsiveness**

It is useful to reflect on the design principles or underpinning logic to VET qualifications and administration instruments. These are drawn from the policy objective within formal VET for nationally consistent qualifications, developed through formal industry arrangements to ensure the recognition of qualifications across Australia to support the mobility of workers. This principle plays out in many aspects of the operation of VET, some justified, others not.

**Attachment B** provides a broad description of the issues.

This context is important as it gives rise to the logic and rationale for practices in the VET sector, some of which are not fit for purpose.

First, uniquely in the education sectors in Australia, VET is often framed solely as a market, including within the Issues Paper. Yet, the notion of a market for skills – exchanged between the student and employer – enabled through adaptive supply does not sit easily with the requirement for national consistent industry defined training.

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<sup>12</sup> <https://www.mysecuritymarketplace.com/product/technology-and-the-future-of-australian-jobs/>



Second, this logic gives rise to a one-size-fits-all centrally administered model as it is seen as the only way to deliver national consistency. As shown in Attachment B, this is important for some areas but is ill-suited to other requirements. Criticisms directed at providers about poorly targeted or outmoded qualifications is hardly their fault as they rely solely on the centralised coordinated approach, which will always have inherent delays in developing and reaching agreement. A market hardly exists if the supplier is tightly constrained in responding to customer need.

In addition, there is broader commentary that the training package model fails to deliver for the times. The TAFE SA Strategic Capability Review conducted in 2018 by Terry Moran and Kim Bannikoff<sup>13</sup> point to major issues with the training package model, as shown in the box below.

Dual sector universities have also made calls for fundamental changes to qualifications. The report<sup>14</sup> calls for, among other things:

- reforms to the Australian Qualifications Framework (AQF), particularly to support learner centred pathways across the continuum of AQF qualifications; and
- modernisation of VET qualifications so competencies focus on broad and future skills requirements.

## TRAINING PACKAGES AND REGULATION

- Training Packages are costly, out of date, far too complex, and do not match the skills needed in modern workplaces. They have become the basis for an overbearing regulatory burden on RTOs and the training system more generally.
- There are a number of steps that South Australia can take to reduce the inertia created by Training Packages, including:
  - » Establishing an Academic Board within TAFE SA to assure quality and accredit training courses that meet industry needs.
  - » Seeking the return of regulatory authority, similar to the powers that have been retained by Victoria and Western Australia, so that the specific needs of business and industry in South Australia can be addressed.
  - » The Government should consider entering into a national debate about the reform of the Training Package and regulatory system.
  - » Move higher level VET out of Training Packages to alternative regulatory jurisdictions.

## A new strategy is required to lift participation

The Issues Paper invites comment on the broad effectiveness of the VET sector. The commentary above indicates there are issues at stake at the core of the sector, specifically VET qualifications – their structure, the educational philosophy, their processes and ultimately their attractiveness to students and their utility for industry.

The Issues Paper also asks fundamental questions about the suitability of the sector to the needs of industry and employers compared to students and the public policy rationale for vocational education and government investment. The number of individual reports and commentary concerning the sector, as listed in the Issues Paper, is an indication the sector faces core issues.

In the view of TDA, the future of VET must be framed on the best educational model to lift the capabilities of individuals to give them agency in managing their way in their engagement in work and career. This comes to the nature of the VET offer. Whether an offer of occupationally aligned qualifications that appears to favour the needs of industry and

<sup>13</sup> <https://www.tda.edu.au/wp-content/uploads/2018/09/TAFE-SA-Strategic-Capability-Review-2018-Moran.pdf>

<sup>14</sup> <https://www.dualsectorpaper.com/>

employers over the aspiration of students must be a key question to be addressed. Failure to address this core issue will mean the same issues of declining participation will remain.

Ministers and officials have reviewed the training package construct and agreed some streamlining of content and processes. As yet there has not been a review of the core approach. TDA contends the necessary first step of a new NASWD is a renewed model for training design and delivery to deliver a capable graduate able to navigate a broader range of jobs and enterprise through their career. The needs of industry (or business) are not to be ignored but is moderated by an objective to empower the individual through effective vocational education.

## **The Adequacy of the VET Market**

The capacity of the VET market to meet all efficiency and public policy objectives is questionable. This is outlined further in **Attachment C**.

TDA contends that a simplistic application of market principles to VET risks mis-guided delivery and failure to deliver some key areas of vocational education, which will underpin the economic growth of Australia.

Further, the regulatory regime, including the qualification system is not robust enough to prevent exploitation of students and major reforms are required in these areas before expansion of supply could be undertaken.

The current performance of the VET market as shown in Figure 2 of the Issues Paper, and in certain under-represented groups in demand driven higher education, seem to show a significant group of Australians are being failed by the current market approach to VET (and these are more likely to be part of the cohort of Australians who have struggled through schooling).

TDA recommends the Productivity Commission could give a great service to the VET sector and other areas of social policy if there was a detailed analysis of the place and limits of market instruments in meeting social policy objectives.

## **The place of NASWD**

In the absence of frameworks to articulate the rationale and policy for VET in Australia, and that can represent shared understanding between levels of Government, the NASWD has utility.

However, it fails in respect of a reasonable Commonwealth share toward VET outcomes. In the broad, the Commonwealth makes a direct contribution to delivery of vocational education of less than 30 per cent of total public expenditure on vocational education. Final Budget Outcomes show the Commonwealth's investment in vocational education delivery is declining in real terms. While the real rate of the NASWD funding is maintained over the years its purchasing power has diminished as the working age population has increased.

An effective NASWD would maintain public investment in VET across both levels of governments in line with population growth. This would ensure investment is available to directly lift skill levels of working age Australians to keep pace with labour demand.

If the Commonwealth is to exercise leadership of the VET sector, it should consider a boost in NASWD funding to represent 50 per cent of public investment in VET, in line with other areas of joint funding. This would then encourage increased contributions from states and territories.

## **Objectives and Performance**

The Issues Paper asks whether the main objective and sub-objectives are still relevant for the VET sector going forward. In the main the objectives appear reasonable, although the focus on addressing industry need, measured through job outcomes, is too unidimensional.

Several of the sub-objectives of the NASWD outline key social policy outcomes, such as equity impacts, but the focus of policy in these areas seem hit and miss. The sub-objective targeted at effort of meeting future job needs is clearly not being met or addressed, given the commentary offered on training package processes.

The core objective for the NASWD should be the educational achievement of students, with a focus on the rate of progress. The objective focused on job outcomes fails to address whether training has added to the capability of the graduate and, as stated before, job outcomes may not be attributable to the training but reflect the state of demand for employment. The proposals for a revised Australian Qualifications Framework focused on learning outcomes across the qualification hierarchy may require this approach to be adopted anyway.

## **Pricing**

The Issues Paper outlines the variability in the VET sector between states and territories in funding training and the role of subsidy and student fees and asks for input about the approaches to achieving consistency.

National consistency is a lower order issue facing providers. Qualification requirements are increasing and adding to the costs of delivery yet there is no mechanism to adjust subsidies to meet the needs of delivery specified by industry through training package processes. The first order issue is to establish decent base costs for compliant delivery. Then consistency between funding jurisdictions and the role of loan, subsidy and student fees can be negotiated. Seeking consistency in advance of determining core costs for quality delivery risks a slide to lowest common subsidies and the inevitable compromise in quality.

Reaching a decent base cost for qualifications will be a challenge, primarily as one of the concepts of VET is to design programs to drive toward outcomes suited to the needs of the individual. In theory this means that one unit could be delivered over a semester for new learners while the same unit would be delivered over three weeks if experienced learners are involved. Regularising the offer to ensure integrity in core cost calculations and then needing

to guard against profit gouging may require VET to make moves toward regularising course durations and delivery hours. These are important preconditions, which need to be considered if a consistent national price is to be pursued and core costs identified to ensure quality delivery.

## **Alignment with Higher Education may assist**

The Joyce Review has made recommendations that VET funding should align with the Commonwealth's approach to higher education funding.

The construct and operation of the two sectors vary markedly. Public subsidy in higher education is limited to universities with other higher education providers generally excluded from accessing the subsidy. As a result, subsidies to university for delivery effectively operate as block funds (even though these are per capita based), which affords universities flexibility to transfer funds to meet organisational priorities. Importantly, it removes the impost on government to finely tune subsidies to ensure the costs of delivery are met.

VET is different. First, there are around 2000 providers in receipt of subsidy across several thousand qualifications. Reasonably fine-tuned pricing per qualification becomes important in terms of ensuring adequate funding can support quality delivery as there is limited capacity within providers to cross-subsidise. In addition, the large proportion of VET providers that operate on low numbers of students means their viability is at risk from even small changes in costs or expectations in qualifications, where further subsidies are not offered.

The Joyce Review has made the point that stability in funding is required for VET to give providers confidence to invest in training capability and new delivery. Options could be considered to trial the higher education model (subsidy plus student loan) for certain qualifications that have delivery attributes and learning outcomes similar to universities. This would be restricted to providers that can demonstrate the capability to deliver in this way. The qualifications may need to be based more on learning outcomes than a competency model.

The move to a unified or aligned tertiary sector would break down barriers that may hinder choice in selecting the best form of education to meet an individual's aspiration, whether higher, vocational or a mix. This would be the catalyst for economic growth, labour market participation and wage growth, in addition to the social and community benefits from individuals' self-actualisation.

## **VET in Schools**

In response to the Joyce Review the Issues Paper seeks views on consistent funding of VET in Schools.

This is a complex issue as there is often dialogue that some VET in Schools is not true VET and is often not recognised by employers when students seek work on leaving school. There are also many excellent VET in Schools programs, which meet all VET objectives.

It should be noted the Education Council is conducting a review of post-compulsory schooling pathways and is considering the efficacy of current VET in Schools policies and approaches.

While there may be some value in promoting consistency in funding rates, as is proposed for other VET, any suggestion that VET in Schools is funded through the NASWD is not supported.

Current schools funding caters for the cost of delivery of VET in Schools by students. VET in Schools participants are school students and should be funded fully from school sources, whether from the Commonwealth or the state or territory.

### The current model of VET

Training in the sector is framed against the needs of an occupation. There is a one-to-one concordance of a qualification to an occupation. However, many qualifications are not used. And needing to respond to the needs of each occupation through a qualification adds high rates of complexity and cost on providers that deliver multiple qualifications. An occupationally aligned qualification – which clearly signals the direct link to expected job outcome and salaries, some of which is insecure and low-paid – could be seen as limiting the aspirations for many participants.

Considerable time delays and coordination costs are associated with this model. Borne from the policy objective of nationally consistent and portable training the process of defining and agreeing all these elements against the tasks of today's jobs means, at best, an approved qualification could only ever meet the skills needs of today's jobs but is often out of date once it has gone through the development and endorsement process. Underpinning knowledge is the key to preparing people to be adaptable and responsive as occupations and industries change, yet there is little focus on how this is defined, delivered and assured in delivery.

The content and approach to training is based on a competency-based framework. As it is applied in Australia, this entails decomposing the elements of an occupation into discrete tasks, or competencies and is operated through industry endorsed training packages, which comprise the bulk of activity within VET. Each competency then defines further elements, which seek to establish the range of practice of the competency, the required knowledge and requirements and conditions for assessing achievement of that competency. These components total within a single training package qualification to at least a 100 separate functions. Each one has to be managed separately and reported against in order to comply with regulatory and audit requirements. Feedback from trainers in the sector laments the rigid overfocus on compliance at the expense of the educational experience.

Large portions of the requirements within training package qualifications reflect Australian regulatory conditions, reflecting the fact that VET qualifications prepare graduates for specific occupations. Focus on these elements within qualifications results in too much focus on scope of practice issues to the detriment of developing the core skills. And in view of the global nature of production and service processes the sector risks not preparing graduates with global standard skills and compromises Australia's competitive advantage.

## **The national imperative hampers responsiveness**

The core rationale for national training package (VET) qualifications is their national portability. This allows for a graduate's qualification to be recognised by employers and governments across the nation, thereby promoting labour and skill mobility. The question is whether this is still a national imperative, and whether the model delivers the outcome according to its intent.

The Productivity Commission has previously found few workers with VET qualifications move permanently (which is understandable as the wage return is unlikely to be enough to justify the relocation expense)<sup>15</sup>. On the other hand, many workers travel across the country to conduct work, the most prominent being Fly-in Fly-out workers.

The other aspect underpinning the notion of national portability is the promise of nationally consistent training outcomes for graduates against industry standards. The economic rationale here is that people trained to an agreed industry standard bring the latest of skills to a workplace, particularly SMEs, and thereby increase productivity.

Against these objectives there is mixed success, as set out in the circumstances below.

- I. The sector generally meets the portability and consistency objectives in trade qualified graduates principally because the occupational scope is tightly prescribed and regulated through licensing or industrial instruments. For some trades, such as plumbing and electrotechnology, a license to practice is required by the state and territory and the national qualification generally ensures most graduates have the requisite technical skills required to meet licensing needs.
- II. Several areas, such as in allied health, have agreed national standards of practice and entry to occupations and VET qualifications mirror these requirements. Despite national consistency, a graduate's employment prospects are heavily influenced by the reputation of the provider with which they train, thus compromising the portability objective.
- III. Probably the most common criticism about VET courses and content is feedback from employers that the training does not meet their needs. The mismatch is to be expected as it's impossible to meet the needs of every employer in the first place and they may not realise, nor probably accept, the need for a national industry standard as defined by their industry representatives in the training package process. As a result, most qualifications in the sector allow for optional units and a modular approach to training content, presumably to help meet employer need. In these circumstances it is hard to see how consistency or portability is met.
- IV. Then, many qualifications that serve less defined occupations, such as in business studies, simply list optional units of training and give no sense of core industry requirements.

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<sup>15</sup> <https://www.pc.gov.au/inquiries/completed/labour-mobility/report>

For the VET sector, there is a one-size-fits-all approach on the basis of the supremacy of national portability and, thereby, national consistency but at the cost of local flexibility and responsiveness. If the offer of market instruments is responsive supply of products (in this case qualifications) then the training package national model is ill-suited for large segments of the sector's operations.



## **Functioning market**

The contemporary policy settings for VET indicate investments and individual and collective decisions rely on incentives driven in the most part through the marketisation of VET. The policy rationale seems that active competition is the most effective means to achieve efficiency and innovation in the supply of VET and consumer protection, by providing choice among competitive offerings.

This policy setting for a well-functioning VET market would entail low barriers to entry and exit; widespread availability of timely information that enables well-informed effective decisions (with low barriers to access and interpret market information). The costs and benefits need to be fully recognised within the market so there are no unexpected spill-over effects of consequence. The market, in achieving its goals of efficiency, innovation and consumer protection, will concurrently achieve any public interest objectives as well (e.g. of national interest such as meeting the demand for specialised skills of the economy or skills demand driven by global changes impacting the economy that generates high levels of uncertainty).

The recommendations of the Joyce Review, which build on a market approach, need careful consideration, given the failures experienced in the sector under open contestability arrangements. The alternative consideration may be to:

- give greater focus within government to managing supply of VET services (through, for example, specified government supported national VET places) and/or
- further regulation, or prescription, of the VET market in the hope of achieving a better outcome (which given current status of regulation of VET would seem to lead to further hardening of the VET system).

Like other industries where there have been attempts to apply market economics, there are certainly sub-sectors of the VET market where distinctive characteristics may prevent competition from being fully effective. These include requirements for large-scale investments in capital facilities, for example that needed for advancement manufacturing VET courses; those qualifications requiring a deeper level of knowledge; or where vagaries of the demand in the market make supplying the market of higher business risk.

In considering the characteristics of well-functioning markets it may seem that while pure training, such as that required for transactional skills and those of an occupational safety nature, are able to respond to the application of the market, VET that has deeper or broader educational aspects may need to be undertaken from a more managed approach.

The current performance of the VET market as shown in Figure 2 of the Issues Paper, and in certain under-represented groups in demand driven higher education, seem to show a significant group of Australians are being failed by the current market approach to VET (and these are more likely to be part of the cohort of Australians that have been let down by the school education system).