New South Wales
Productivity challenges and skills development:
A Case for VET reform.

April 2011
Introduction

The Premier State has been the slowest growing state in Australia for the past 15 years.

This report shows how NSW can take a key step towards regaining its mantle as Australia’s number one state for productivity growth through a complete restructure of the vocational education training (VET) system.

For too many years, NSW and much of Australia, has primarily funded vocational training through large public institutions like TAFE and purchasing training from other providers based only on unreliable predictions of future skills shortages.

According to the IPART 2006 report, Australia’s methods of predicting future skills shortages – methods which continue to be used by governments at all levels today - “has generally done more harm than good, as the projections have almost always proved to be wrong and the efforts to implement initiatives based on these projections have distracted attention and prevented more timely and flexible responses”.

As a result of this, large proportions of public funding may have gone to addressing skills shortages that never occurred or did not exist once the course had been created.

This lack of clarity, combined with an ageing model for VET in Australia has handicapped the training sector and has had a direct impact on the skills and capacity of the workforce.

This document offers a new pathway for NSW.

It calls for open competition between all VET providers – public, private and community – in identifying and training new students.

Along this new pathway, funding will no longer be directed at institutions, but at students and business leaders who will be able to choose providers in the VET sector.

Such a system is the foundation of an approach focused on employer and student needs and which is nimble enough to immediately address urgent skills shortages before they develop.

It allows students to move freely between providers to get the best education and sets out a roadmap for a training sector where industry practitioners take a leading role in teaching and delivering courses that match or surpass industry standards.

This approach precisely delivers a broad range of vocational training experiences to where they are most needed in a cost effective manner and encourages innovation in delivery. At the same time it gives the most disadvantaged increased access to training that will bring them back into the NSW workforce.

It is the basis of a simple recipe that generates employment, advances the careers of those already employed as they improve their skills and increases productivity.
To make this approach more robust, ACPET has called for special provisions that can only improve the effectiveness of the sector.

A level playing field is envisioned where all providers have to meet the same standards of performance, delivery and the effectiveness of outcomes is measured. Regular audits of providers by a single national regulator are called on to measure against a standard set of requirements.

In this competitive approach to training, separation between agencies that set standards, make policy, enforce those standards and distribute funding is crucial. Each must be independent of the other.

Finally, and perhaps most importantly, professional staff who deliver the courses will themselves be subject to regular training. This aims to keep educators up to date with industry standards and the latest developments in teaching.

The impact of this new model will be felt far and wide through the NSW economy. Improvements in education and training have long been linked by analysts, policymakers and industry groups to increased workforce participation and are crucial to sustained productivity growth.

Revolutionising the VET sector through competition will throw open the doors to growth and prosperity for every person in this state. It is a transformation we cannot ignore as we move through the 21st Century.
A. Key points

- The New South Wales economy needs to be a productivity growth leader, for the well-being of NSW citizens and for the competitive strength of the national economy. This challenge is highlighted in the Coalition's Start the Change, Make NSW Number 1 Again statement and reinforced in the new NSW Government's First 100 days - Real change action plan.

- Education and training, plus higher workforce participation, are recognised by analysts, policymakers, and industry groups as crucial to sustained productivity growth. Education, human capital and skills are key to the COAG National Reform Agenda, and reforms are underway, however 2011 is seeing renewed calls from stakeholders for concerted change.

- Performance of the VET system is key to socio-economic advances. Faced with rising need to fill more high-skilled jobs, increase worker productivity, and lift workforce participation, recent years have seen a start to significant reform through national regulatory regimes and some States particularly investing in change programs to modernise VET, widen competition, and facilitate responsive, effective and efficient delivery of training.

- Victoria has implemented its Securing Jobs for Your Future – Skills for Victoria policy direction and change program announced in 2008, with more training places, the Victorian Training Guarantee, and market contestability. Outcomes include increased competition, a wider range of providers delivering innovation and choice for individuals and businesses in response to changing needs, and overall higher VET enrolments.

- South Australia promulgated its Skills for All: Productivity and Participation through Skills Consultation paper in 2010, aiming to transform the State into a highly-skilled community. Resultant key reforms set out in The Strategic Direction for Vocational Education and Training in South Australia 2011-2014 include funded training places for students and industry, moving from supply to demand led programs, and choice of training providers.

- While there has been ongoing VET change in NSW, it is fair to suggest NSW lags in the efficiency and effectiveness of its VET system. With focus on increasing productivity through building skills, ACPET proposes five policy issue areas for interactive consideration.
1. **Student choice – lifting demand and optimising use of public funds.** The principle of student choice is being applied increasingly to encourage individuals to participate in education and to build provider responsiveness in course design and delivery. Passing purchasing power to clients (individuals, enterprises) by allowing public funding support to be used for their choice of training and provider is key to a modern education system. A student-centred learning entitlement and choice of provider system should also support equity participation and incremental development of higher level skills in diverse learners.

2. **Enterprise capacity – encouraging workplaces to invest in training.** Supporting employing enterprises to invest in developing knowledge and skills in their existing and future workforce will build national productivity and capability. A challenge for governments and providers is to focus small-medium employers on the benefits of investment in planned workforce development. Private providers shape their business models to service market demands and many are actively working with employers on workforce strategies.

3. **Provider efficiency – streamlining regulation nationally and in NSW.** Important tertiary education regulation reforms are advancing following agreements at COAG during 2009. VET regulation is to be streamlined through the new national regulator, the Australian Skills Quality Authority, and National Standards Council. Continuing NSW Government support for these progressive regulatory reforms is commended. ACPET suggests States not add regulatory layers to the emerging national regulation regime. Returns to the State, to students or to employers are unlikely to be higher than the extra budget costs to the State, the extra regulatory costs, and opportunity losses.

4. **Governance – structural separation for innovation and investment.** Traditionally, vocational education and training is often seen as tied to public delivery. This harks to times when Governments provided almost all general services. Since the early 1990s however, a series of reviews have advocated a competitive system with market based policies applying to VET course development and delivery. In 2006, the IPART *Upskilling NSW* review noted pressures nationally to introduce degrees of competition in VET to build innovation, but also that this was occurring more in other States. Reviews since have emphasised increased competition, contestability of funding, competitive neutrality, and in governance, the partition of each type of decision-making role to reduce conflicts and encourage investment.

   Structural separation of government policy, regulator, purchaser and provider functions, with reform of TAFE NSW as needed, to enable effective, transparent competition in a market-based system with competitive neutrality operative, would be timely in NSW. A modern, market-driven and competitive VET delivery system should apply the same quality and performance expectations to all providers, adjudicated by systemically separate entities.

5. **Professional staff – development of teachers across all providers.** Raising the performance quality of all teachers associated with vocational education and training is vital to developing capacity and lifting productivity. Professionalism of staff also underpins greater quality and accountability of VET service provision to students and employers. Private training institutions are now arguably the ‘engine room’ of the Australian training sector, and ACPET commends initiatives for co-investment by governments and providers to build skills and capacities of teachers and all working in education. It is important that such support extends across all types of providers, public, private, and community.
B. NSW productivity and skills challenges

Productivity is now known as key to the well-being of nations, regions, businesses and individuals and policy emphasis on productivity growth (lifting quantities of goods and services produced by a given number of workers or inputs) is rising. Put another way, ‘economic progress depends on increasing productivity, which depends on undistorted competition’ to engender innovation.¹ *

Australia has had a strong productivity record based on human and natural assets, technology and system development, and structural change at key junctures to increase competition, spur innovation, and address inefficiencies. After a microeconomic reform led productivity surge in the 1990s, Australia's rate of productivity growth has been in decline for at least five years.²

Faced with population ageing, and with fast rising productivity in global competitors, Australian policymakers, agencies and analysts have been reinforcing the productivity growth imperative.³ In 2009, for instance, the House of Representatives Standing Committee on Economics inquired in detail into challenges of lifting the productivity growth rate. The Committee concluded ‘strong productivity growth [is] essential to Australia’s economic future’ and that Governments can:⁴

… facilitate aggregate productivity growth by maintaining a stable economic environment which fosters competition between firms and flexibility within workplaces. Australian governments also have an important role in capability building by providing firms with access to appropriate public infrastructure and investing in the quality of Australia’s workforce, our ‘human capital’, to facilitate more productive behaviour by firms.

The New South Wales economy needs to be a productivity growth leader, for the well-being of NSW citizens and for the competitive strength of the national economy. As the Coalition identified in Start the Change, Make NSW Number 1 Again, NSW has been the slowest growing Australian State over 15 years. Within overall declines in Australian productivity growth, NSW workforce productivity (gross product/hour worked) in 2008-09 was just above national average, a little better than the other major State, Victoria, but ahead of Queensland.⁵

Progressing changes needed to support growth in productivity and competitiveness in times of such seeming prosperity and high employment is a key challenge for political leaders and policy-makers. However, the call for active focus on productivity in NSW is clear. As identified by the Productivity Commission (PC) in 2009, constraints and costs are evident, and

… economic challenges confronting Australia lend urgency to policy efforts to raise national productivity. Innovation is the key to achieving this. Sustaining and advancing reforms to enhance market competition and to reduce regulatory constraints … remain fundamental to stimulating innovation, and should continue to play a central policy role. There is also an important role for government in building human capital …

Education and training plus higher workforce participation are identified by analysts, policymakers, and industry groups as crucial to sustained productivity growth. Many reports and statements have analysed skills issues and the need for reforms including:⁶

2006 – Australian Industry Group, World Class Skills for World Class Industries.
2006 – IPART, Upskilling NSW.
2008 – Australian Industry Group, Skilling the Existing Workforce.
2010 – Minister Gillard, Address, The Skills Challenge – the Mismatch in the Australian Economy.

Productivity growth also depends on infrastructure, a focus of the NSW Government's First 100 days - Real change action plan, facilitating innovation and competition, and regulatory reform.

* References and expansions are recorded as endnotes. Sources are available on the internet.
In a late 2010 analysis presented to the Australian Treasury, the Grattan Institute reinforced that the next round of productivity enhancing reforms should include further opening of competition, taxation reform, and serious efforts to improve Australian innovation, plus:

- further promotion of education and skills acquisition, focussing in particular on engineering and science, skilled trades, and on students from lower socio-economic backgrounds, and on young people in neither employment nor training; [this] may require significant reform of vocational education system and funding.7

As this statement notes, recent years have seen a policy focus on rethinking the nature of tertiary education provision in Australia and its effectiveness in linking knowledge and skills development with productivity advances. Important and ambitious goals have been set nationally and in NSW to lift participation in senior schooling and in tertiary education and training. These are:

**Council Of Australian Government targets:** 90% of young people achieving Year 12 by 2015 or equivalent; halving the gap for Indigenous students achieving Year 12 or equivalent; halving the population of 20-64 year olds without Certificate III or higher qualifications; doubling numbers of higher VET qualification completions.

**Commonwealth targets:** By 2025, 40 per cent of all 25 to 34 years olds will hold a qualification at bachelor level; by 2020, 20 per cent of higher education enrolments at undergraduate level will be people from low socio-economic backgrounds.

**NSW Tertiary Education targets:** increase 25 to 34 year olds in NSW holding a bachelor degree to 44 per cent by 2025; achieving a VET participation rate of 16 per cent by 2016.

**Skills and Workforce Development National Agreement targets between 2009 and 2020:** Halving the proportion of Australians ages 20-64 without qualifications at Certificate III level and above; doubling the number of higher qualification completions, ie. diploma, advanced diploma.

COAG included education, human capital and skills development as part of its pivotal National Reform Agenda in February 2007, along with renewed commitments to competition reform and regulation review. National reforms in tertiary education, higher and vocational, are being progressed by the Federal Government and in COAG by Ministers with focus on vocational education and training (VET). In the field, case studies are demonstrating that attention to VET structures and delivery can lift training and workforce participation, and industry productivity.8

Yet, even with this attention, the need for capacity development in working age people across Australia and its regions is still fast rising. The demand is for innovation in education and training structures to respond to need to strengthen work performance and to lift capacity to deal with more complex work, skills gaps and new technologies.

Notably, 2011 has seen renewed calls from key stakeholders for concerted change, including:

- **Business Council of Australia.** *Productivity is Key to Everything:* ‘Employment growth has remained strong but productivity continues to lag. Centrally important industries are facing skills shortages and associated wage blowouts.’ *The Australian* 14 Jan 2011 9

- **Dr Ken Henry:** ‘Thinking about present and future challenges, the ‘right answers’ for Australia today include … encouraging competition and improvements in education and health policies, to expand the nation’s supply capacity by lifting participation and productivity and to promote economic flexibility …’. 4 Mar 201110

- **Industry Skills Councils,** *No More Excuses, An Industry Response to the Language, Literacy and Numeracy Challenge.* ‘Almost half of Australia’s working age population does not have the reading, writing or numeracy skills to participate effectively in the type of training required for trade or professional jobs.’ 4 April 201111
C. Evolution of VET delivery to serve needs

Education for work is vital to Australia's productivity and competitiveness, and performance of the VET system is key to advances. Faced with rising need to fill more higher-skill jobs, to increase worker productivity, and to lift workforce participation, recent years have seen a start to significant VET reforms. COAG, and some State Governments in their jurisdictions, as well as industry groups, are investing in change programs to modernise VET, widen competition, and facilitate responsive, effective and efficient delivery of training.

COAG and the Ministerial Council for Tertiary Education and Employment (MCTEE) have endorsed multiple programs to increase apprenticeship and traineeship completions, to expand school-based VET, and to embed recognition of prior learning and workplace based training. The Productivity Places Program has been a major national exercise. The Federal Budget 2010 also included a Skills for Sustainable Growth package to finance Skills for Recovery, A Better Training System, and Foundation Skills, plus development of a National Foundation Skills Strategy with learning entitlements. At the 18 March 2011 MCTEE meeting, Ministers further considered the challenge of achieving sustained investment in VET.

Regulation is being streamlined through a national VET regulator and National Standards Council. From 1 July 2011 the new Australian Skills Quality Authority (ASQA), will begin regulating providers in NSW, ACT and the Northern Territory. Merger with the Tertiary Education Quality and Standards Agency (TEQSA) is being indicated for 2013 as a single integrated tertiary system takes shape.

A number of States have closely examined and are further reforming VET performance and delivery models. Victoria, in particular, has implemented its Securing Jobs for Your Future – Skills for Victoria policy direction and change program announced in 2008, with more training places, the Victorian Training Guarantee, and market contestability. Outcomes to 2010 include increased competition, a wider range of providers delivering innovation and choice for individuals and businesses in response to changing needs, plus overall higher enrolments.12

In July 2010, South Australia promulgated its Skills for All: Productivity and Participation through Skills Consultation paper, emphasising the need to transform the State into a highly-skilled community. From this, key reforms set out in The Strategic Direction for Vocational Education and Training in South Australia 2011-2014 include funded training places for students and industry, move from supply to demand led programs, and selection of training provider of choice.13

These change directions extend from major reforms of the late 1980s and the 1990s that led to a restructuring of vocational educational systems to service rising skill needs. During the 1970s and much of the 1980s, State governments had maintained the traditional role of sole VET provider. However, it was becoming apparent the VET system was inadequate to support a deregulated, export oriented and internationally competitive economy.

The Vocational Education and Training Act 1990 in Victoria took the first step to enable registration of providers in the private sector to deliver State accredited courses. ‘Benefits of an open training market were extolled in the Employment and Skills Formation Council report in 1992’ and pursued in a further series of reviews. ‘It was also recognised that the TAFE system, as it stood in 1994, was unlikely to be able to meet all six Hilmer competition principles’.14
In NSW, 2006 saw a series of reviews. These were prompted by rising recognition of skill shortages constraining economic growth, and by the commitment of all State and Territory governments to the *Skilling Australia's Workforce 2005-08* (SAW) Agreement which provided the framework for Federal investment of $6 billion over four years in VET development.

The IPART Review, *Up-skilling NSW*, includes a useful comparative analysis of NSW and other VET systems and performance, but before Victoria and South Australia had implemented major reforms to build demand-led provision, widen competition and encourage enrolments.15 IPART recommendations included a new focus on workforce development, shaping an entrepreneurial culture within TAFE with accountability and performance measures, and shifting of finances to purchase of outputs and outcomes rather than block funding. This led into the TAFE NSW *Doing Business in the 21st Century* review programs.16

While there has been ongoing VET change in NSW, it is fair to suggest NSW lags other States in the efficiency and effectiveness of its VET system. Early NSW initiatives have been overtaken by advances in other States acting on calls to build productivity in their VET systems by spurring competition and innovation. This gap was evident even before major 2008 Victorian reforms.

Against the objectives implicit in the Act, NSW is strongest in providing trainee/employer choice. While competition for available contestable funds appears relatively open, the scope of NSW user choice and contestable funding is lower than many jurisdictions. NSW public provider models for Institutes exhibit somewhat less autonomy, workforce flexibility and commercial freedoms than many of their interstate counterparts have or, in the case of Queensland, are planned to have. NSW believes an integrated TAFE model is currently the most appropriate. *Boston Consulting Group, Skilling Australia's Workforce Review 2007* 17

Notably, in response to demands from users (employers, and individuals as intending students) the number and diversity of non-public providers have grown in two decades. Rising contestability of portions of public VET funding in some States confirms the importance of this expansion, and facilitates innovation. A 2009 NCVER study identified the private training sector “as a major driver of innovation through the Australian economy”.18

A substantial part of VET is now delivered to meet employer, employee and future worker needs through private Registered Training Organisations (RTOs). In 2010, AIG chief Executive Heather Ridout observed that “so many of our members go to private providers because they have more of the flexibility to actually come and deliver the way companies want it [training] delivered”.19

The Australian Council for Private Education and Training (ACPET) mission is to enhance quality, choice, innovation and diversity in Australian education and training for individual and national development. ACPET works with governments, education and training providers, industries, and community organisations to ensure VET and higher education services are well-targeted, accessible, and well-delivered with courses of high quality, and providing for choice and diversity. Private providers include a range of commercial and not-of-profit entities, Community Colleges, and industry and enterprise-based organisations, operating in cities and across regions.

In NSW, over 1,000 private provider RTOs, in cities and regions,20 are actively educating some 500,000 equivalent full time students at any one time, across 20 fields, particularly in business, community services, health and education, and from VET certificates, to diplomas and degrees.21

With focus on increasing productivity in NSW through building skills, ACPET proposes five key policy issue areas for interactive consideration. These are discussed in Part D.
D. Raising productivity through skills – five policy issues

1. Student choice – lifting demand and optimising use of public funds
2. Enterprise capacity – encouraging workplaces to invest in training
3. Provider efficiency – streamlining regulation nationally and in NSW
4. Governance – structural separation for innovation and investment
5. Professional staff – development of teachers across all providers.

1. Student choice – lifting demand and optimising use of public funds

Increasing student choice of type of training and provider, backed by equity in public funding support, will facilitate participation in vocational education, and promote competitive efficiency in providers plus tailored products to meet diverse needs of the education market.

NSW allocates substantial funding to providing learners with opportunities for tertiary education. Use of these funds should be optimised by arrangements aligned with Australian policy goals for an open, competitive economy that encourages productivity, innovation and user service.

The principle of student choice is being applied increasingly to encourage individuals to participate in education and provider responsiveness in course design and delivery. The 2008 Higher Education Review recommended Student Learning Entitlements and supported places be made transportable (rather than allocation of set places to institutions).

This is intended to attract more individuals into the education they want. Student demand will reflect signals from employment markets. The change to full student choice is being implemented for universities from 2012. As discussed above, States are also applying student choice principles to VET, with Student Entitlements available for courses offered by all types of registered providers.

Linking funding entitlements to students rather than institutions or courses will make marketplace demand clearer, and competitive pressure will compel initiative, innovation and quality in providers.

ACPET suggests NSW policymakers consider three key elements in student choice reform:

i) Priority in public funding being directed to the less advantaged to build their education through subsidised student training entitlements that can be used with any registered provider.

ii) For other students undertaking VET learning, a generally available student loan scheme (such as Fee-HELP) that students can access for accredited courses at all types of providers.

iii) Advocacy with the Federal government to extend transportable tertiary education student entitlements and associated public support to all providers and courses by 2012.

Passing purchasing power to clients (individuals, enterprises) by allowing public funding support to be used for their choice of training and provider is key to a modern education system. This has been advocated to varying degrees in key reviews (IPART 2006, BCG 2007, OECD 2008, Higher Education 2008). Stronger outcomes for NSW in terms of participation, upskilling and innovation are likely from progressive change to a demand-led and competitive training delivery system with student choice exercised through mobile learning entitlements.
In NSW, a form of User Choice system has been operating for a small proportion of publicly funded VET training for more than a decade. The NSW Training Market was described recently on the NSW Department of Education and Training, State Training Services website as:

Programs administered under the Approved Providers List (APL) purchase training that specifically meets the State’s skills shortages and training priorities. Registered Training Organisations (RTOs) receive a standard payment to provide training in full or part qualifications under the following programs: the Apprentice-ship and Traineeship Training Program (ATTP), the Strategic Skills Program (SSP). Access to the APL is through a tendering process. [www.training.nsw.gov.au/trainingProviders/trainingMarket/tender/index.html]

IPART in 2006 compared competitive purchasing systems in NSW and Victoria (before reform).

Both states also conduct annual tenders to include eligible RTOs on their approved provider lists. RTOs can tender to deliver apprenticeship and traineeship training, or other training in nominated priority or skill shortage areas as determined by their … planning processes. The main distinction between the states is that the Training Market Program in NSW is open to competition between TAFE Institutes and private providers. In Victoria, the Government Funded Training Program is available only to private providers. The proportion of funds allocated to non-TAFE providers for VET delivery in 2004 was higher in Victoria (8.4 per cent as a proportion of total recurrent expenditure) than in NSW (4.6 per cent).

The Productivity Commission, Report of Government Services 2011 shows that 2009 payments to non-TAFE providers, as a proportion of Government VET funding, were 7.3% in NSW, 11.7% Victoria, 14.7% Queensland, and 9.5% in SA again before 2011 reforms.23

The NSW system is not individual student or employer choice driven, it seems to be 'directed supply'. TAFE funding is linked to courses they decide to provide, although this is evolving.

Most of the public VET system is funded and managed on the basis of annual hours for each subject enrolment, an arcane inputs-based approach in the eyes of many observers. In recent years there has been an increase in the hours of training in the public VET system against a backdrop of steady or declining student numbers, with no really plausible explanation for this divergence. NCVER 2009

The NSW Department also publishes an annual NSW Skills Priority List, to provide Training Organisations with information on courses, skills sets and, units of competency that will be a priority for purchase under the NSW Approved Providers List (APL) Contract. These priorities are identified by Government in consultation with peak industry groups.24

However, programs of allocated places aiming to direct course providers to areas of estimated employer need, and expecting students will follow, are debatable. Allocating places (by specifying types of training to be funded), capping subsidised place numbers, and directing students by incentive to occupations based on forecasting, are controls that have been challenged in a number of studies. IPART 2006, among others, warns against allocations.25 26

Detailed skills projections for individual occupations are of little use in VET planning, because the demand for specific skills within an economy depends on many uncertain factors. Indeed, past attempts at this kind of ‘manpower planning’ have generally done more harm than good, as the projections have almost always proved to be wrong and efforts to implement initiatives based on these projections have distracted attention and prevented more timely and flexible responses. IPART 2006 [health workforce is an example]27

ACPET supports the development of career and labour market information, and data on scope and services of providers to assist individuals and employers in making open choice decisions.
A student-centred learning entitlement and choice of provider system should also support equity participation and incremental development of higher level skills in diverse learners.

Providers that focus closely on students and teaching needs will achieve more results for each type of student. Private providers depend closely on the quality of the education and associated support they deliver to their different types of students to help them achieve learning objectives. Focus, attitude, professional systems and staff development are all key to lifting participation, reducing attrition, and achieving stronger skill outcomes.

A learning entitlement to encourage student choice of course, provider and location, should open access to VET for more NSW residents. As now, particular investment will be needed to support public and private providers in maintaining specialised teaching and care systems to assure strong outcomes for certain groups. Higher costs of special attention and system changes do need to be recognised in student and provider funding. A Dusseldorp Foundation study on engagement of unemployed youth, for instance, found that while the economy offers incentives to work, the traditional training system ‘is more of a mixed picture’ with focus needing to shift ‘from the institutions to young people, as learners and as workers’. 28

ACPET providers have a record of developing programs for groups with different needs, across Australia including in regional areas. Quality in training (including effectiveness and usefulness) is vital for less-advantaged individuals venturing into training pathways. The ongoing challenge is to achieve meaningful outcomes. This case example from South Australia is illustrative of the responsiveness that underlies sustained provision of useful training.

**ACPET member, Community Services Training and Development Centre**

CSTDC provides accredited quality training services and programs, many customised in response to client needs. Training programs are aligned with the Accreditation standards of Aged Care, Disability Work, and Home and Community Care industry standards.

CSTDC delivers Certificates I to IV, skills recognition and assessment services, workforce planning and development, and industry short courses (eg Manual Handling, Transition Care), all delivered flexibly for a diversity of people across SA.

**Access, Equity & Inclusion.** CSTDC has an individual, case management and practical, problem-based approach to learning. Many students need specialised support one to one and in small classes. CSTDC provides job /career advice, counselling and life coaching as needed, plus literacy and language support for those with difficulties or who have not engaged with education for 20 to 30 years. Mentoring occurs before and after classes to ensure understanding of what occurred in class. Extra support people assist in classes, and a buddy system operates. CSTDC provides options for oral and practical assessments and reasonable adjustments for disabilities and language difficulties. CSTDC trainers, mentors, counsellors, life coaches and assessors have extensive industry experience and are aware of cultural and religious issues. They work to ensure no-one is excluded.

**Industry and student responsiveness.** CSTDC has training provider contracts with the State and Commonwealth. They liaise with New Apprenticeship Centres on behalf of employers to access Government funding and job network providers to recruit trainees suited to Aged Care work. CSTDC conducts awareness workshops before enrolment and visits employers to ensure students are making an informed choice, then matches students to employers for work skills placement and future employment opportunities. Through partnerships with other training providers and job centres CSTDC ensure students receive what they need. CSTDC maintains connections with employers, industry groups and with Industry Skills Boards. Flexible delivery (face to face, distance E-Learning & blended e-learning) is customised to individual and employer needs in rural areas in South Australia.

The Ascent Group in Armidale NSW provides another example. This Group identified the need for, and progressed, tailored VET training to facilitate change across the sector from taking a ‘caring’ approach to service provision to taking a professional ‘person centred service’ approach. 29

In NSW, some public funding is directed to the community college sector. A number are ACPET members and those in regions in particular take an important role in education and training in their communities. ACPET recognises and supports an ongoing role for this sector.
2. Enterprise capacity – encouraging workplaces to invest in training

Supporting employing enterprises to invest in knowledge and skill development of their existing and future workforce will lift national productivity and capability. The NSW IPART report in 2006 identified the importance of a shift of focus to ‘workforce development’:

Workforce development means increasing the capacity of individuals to participate effectively in the workforce throughout their whole working life, and increasing the capacity of firms to adopt high-performance practices that utilise and support the further development of their employees’ skills and value. … it involves … the VET system working closely with individual firms, clusters of firms and other partners, to facilitate the adoption of high performance practices, the pursuit of high-value-added and innovative product and service strategies, and the development of new approaches to employee relations, job design and career development.

Studies by Skills Australia and AIG confirm the importance of government involvement in formal entry-level training and upskilling at work to address skills shortages and productivity challenges.

Skilling the existing workforce has emerged as a critical priority for Australian industry and Australian governments. … there is now a recognition in public policy settings of the importance of continuing to encourage and support the skills development of existing workers. A next step is to better link the many and varied approaches enterprises take to skilling their workers and to have this diversity recognised in public policy, including in resource allocation. Australian Industry Group 2008

ACPET supports partnership approaches across government, industries, enterprises and providers to enhance skills in workplaces. This is a sophisticated national ambition involving capacity building in workplace managers as well as employees. Workplaces need to be able to plan for needs, develop worker skills, and ensure those skills are well-used at work.

The great majority of the NSW workforce is employed at any given time and their ongoing skills development should enhance productivity in the short and longer terms. It appears reasonable to require employers to make a commitment to workforce and individual skill development, and to share the cost of this in partnership with the Government.

Key elements of a co-investment (enterprise, individual, government) program could be:

i) Public funding support for workforce capability development applied at an enterprise level, and incentives for employers to focus on maximising their public benefit by increasing both capacities and participation, with enterprises able to choose a preferred supplier from among all accredited providers of the required knowledge and skills.

ii) Enterprises to determine the level of skill development required for the enterprise e.g. skill sets, trade apprenticeship, other qualification, and further government support where an employer engages people not in the workforce for a trial period of employment and training.

iii) Enterprises are encouraged to co-invest with individuals and governments where the enterprise accrues some of the benefits. Investment by the enterprise in workforce capability development is commensurate with the benefit to the individual enterprise.

iv) Legislative and regulatory requirements, whether attached to government funding or not, are transparent and explicit, with ideally one set of requirements for national enterprises.
Private education providers are strongly customer focussed and adept at designing services to meet a mix of needs including capacity development within workplaces. In shaping new policy with incentives to support employers in modernising their approaches and upskill workers, it is vital employers be able to choose from services offered by all types of providers.

**A particular challenge for governments and providers is to lift the focus of medium and smaller employers on benefits of investment in planned workforce development.** Many private providers are active in working with employers on workforce strategies. Private providers shape their business models to service market demands, and workforce skills development is a rising need. A 2005 ACG survey found private providers to be rated higher by employers on all service delivery criteria, including tailored training programs, except on cost.33

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More recent data available, for instance, in South Australia, confirms that private providers are moving to serve employer-worker training needs in innovative and effective ways, including in areas such as electrotechnology, mining and engineering, and automotive, and businesses are contracting them.34 Nationally, private providers are delivering training in over 20 industry areas.

In NSW, independent research commissioned by ACPET shows that private training providers’ delivery profile strongly reflects the employment needs of the NSW economy and the broader TAFE NSW delivery profile. Private providers deliver particularly across the fields of business and clerical, community, health services and education, finance, banking and insurance, tourism and hospitality, arts, entertainment, sports and recreation, and computing and IT.

**ACPET supports initiatives such as additional Government support for employers to engage people either currently unemployed or not in the work force for trial periods,** as well as training under less formal arrangements than contracts of training. Similarly, the flexibility that enables upskilling through skill sets as well as full qualifications is important. Development of leadership and management skills is also a key overall objective.

Private and public providers should be treated equally as suppliers of workplace training services. It is also important that funding arrangements enable such initiatives to continue beyond one-off programs. Employers and providers can then work together long-term to develop strategies.
3. Provider efficiency – streamlining regulation nationally and in NSW

Regulatory arrangements directly affect innovation and productivity within institutions and enterprises, across sectors including education, and in the wider economy. Regulation that adds costs, protections, or distortions without clear and sustained net benefit have been graphically described as ‘throwing sand in the engine room of economic growth’.35

There is an ongoing challenge with all governments to follow through on policy commitments by their parties, in elections and in COAG since the 1990s, to ensure structures and competition to drive productivity [Issue 4], to streamline regulation, and to level the ‘playing field’ for mixed sectors.

In VET, important reforms are advancing following agreements at COAG during 2009. Vocational education regulation is to be streamlined through the new national VET regulator, the Australian Skills Quality Authority (ASQA), operative from 1 July 2011, and the National Standards Council. Continuing NSW Government support for these progressive regulatory reforms is commended.

The future may see a merger with TEQSA as a single integrated tertiary system. ACPET has argued in submissions for one modern tertiary education system that encourages a diversity of providers to fulfil a multitude of student and employer needs.36 In response to market calls, private providers are offering education in more than one State, and at tertiary levels through certificates, to associate degrees and above. Sector regulation differences add to costs.

To maximise learning returns from investment in tertiary education, and to contain expenditure on administration costs in agencies and providers, and recognising the national regulatory streamlining underway, ACPET advocates for future systems reform that:

- all tertiary providers be assessed by a single national regulator and against one set of requirements, without differentiation on basis of public or private ownership, qualifications offered, or student composition including domestic or international mix
- regulators and standards agencies be separate to policymaking and from departments administering and/or financing education services, with public funding for training open to contest among all institutions
- ongoing participation in the market be subject to provider participation in reviews undertaken by trained auditors and ongoing compliance with the regulatory requirements, and
- ongoing regulatory and reporting requirements on particular providers be proportional to the risk posed by the provider in terms of quality in learning outcomes.

Quality training is paramount and a strong national regulatory system applied consistently across States is important. ACPET recommends States not add regulatory layers to the emerging national regulation regime. Returns to the State, to students or employers are unlikely to be higher than the extra budget costs to the State, the regulatory costs, and opportunity losses.

Cumulative costs of regulatory systems need to be weighed against potential benefits. Whether vocational training is provided by a public or private provider, these costs will still be borne by taxpayers and individuals directly. If too high, services will be lost to consumers.
ACPET supports revision of regulations to introduce a focus on performance, delivery, quality and effectiveness of outcomes. The modern focus on outcomes requires new ways of thinking in agencies conducting registrations, accreditations and audits.

Regulation load has a substantial effect on all vocational education providers, and especially those innovators delivering or planning to deliver actively across States to meet marketplace needs. These include providers responding to needs in regions, as in the examples below.

**ACPET member MEGT: Regional engagement, tailored programs**

*With Industry:* Riverina retailers serious about attracting good quality staff to their business have been turning more towards providing traineeships according to Riverina’s MEGT Australian Apprenticeships Centre. With its 13 stores, the Wright Group KFC franchise is a major employer in the region and has been using traineeships in their workforce planning strategy to assure staff of a career pathway. The Operations Manager for the franchise has to keep track of their 80 trainees, the weekly status of their on-the-job and offsite training, the forms they have to fill out for government, their entitlements, and eligible financial incentives.

'It can be complex but MEGT's online tracking system is a fantastic help, particularly at tax time and when we have trainees completing their qualification at different times and at different store sites.’ The online system is part of the infrastructure behind MEGT’s personal service to KFC, working one-on-one with them and monitoring the progress of each trainee. KFC likes to ‘grow their own managers’. Individuals from many backgrounds can start with a Certificate II Retail, then progress through to Certificate IV Retail Management then potentially end up managing their own restaurant with 60+ employees reporting to them.

*Indigenous engagement:* Twenty-three Aboriginal and Torres Strait Islander students have started the first-ever, 12-month traineeship in Horticulture that will give them experience training, employment and mentoring. The project has attracted employers keen to take trainees from many regional areas. On 5 July 2010, the group began their 12-month traineeship with their new host employers, undergoing induction and meeting their new workmates. They will learn skills such as paving, building courtyards, weeds and chemicals, planting and plant propagation, pruning and turf establishment, maintenance and renovation.

MEGT Indigenous Apprenticeship and Traineeship Network’s National Manager of Indigenous Programs says, 'Students will not only be trained in horticulture, but also be given business and study skills that will encourage them to continue learning or go further along their career path. MEGT is skilled in Indigenous training, with successful retention and risk management strategies.'

**ACPET member, Encompass Community Services Inc**

Encompass has been assisting people with disabilities and those who may be disadvantaged in the Geelong and surrounding regions for almost 25 years. Encompass is a RTO and each year supports about 800 people through its specialist employment services, small business ventures, lifestyle programs, and provision of both accredited and non-accredited training.

Encompass Community Services is committed to promoting equality and opportunity. Near half its employees have a disability, reinforcing Encompass’ commitment to diversity in the workplace and equal opportunities to the community. Services are provided for people with physical, intellectual, sensory and psychological disabilities as well as other less advantaged individuals including disengaged youth, long-term unemployed and those facing financial, social or learning barriers.

Encompass programs offer opportunities to individuals with varying disabilities to develop their skills and knowledge in their area of expertise and interest. Encompass, with support from Federal and State funding, provides smaller class sizes in a supportive environment, flexible learning where individuals complete training at their own pace, assistance with applications for funded training and traineeships, plus an employment service when students are ready to work onto work pathways.

Encompass delivers programs up to the Diploma of Disability, Diploma of Youth and/or Advanced Diploma of Disability Work. Encompass has expressed interest in looking at extending services into South Australia under the new *Skills for All* system.
4. Governance – structural separation for innovation and investment

Traditionally, vocational education and training is often seen as tied to public delivery. This picture harks back to times when Governments provided almost all general services. However, as noted in Part C, since the early 1990s, a series of reviews have advocated a competitive system with market based policies applying to VET course development and delivery.

Just recently, Treasury Secretary Ken Henry, in *Australia 2011: ‘Opportunities, Challenges and Policy Responses*, reinforced ‘pursuing further micro-economic reform, including … encouraging competition and improvements in education and health policies, to expand the nation’s supply capacity by lifting participation and productivity and to promote economic flexibility’. [37]

In its 2005 assessment of the considerable socio-economic advances achieved through National Competition Policy reforms, the Productivity Commission noted that key areas such as health, education and aged care had ‘been largely outside the purview of NCP’. The PC went on to say ‘it is clear that these areas will need to feature prominently on future reform agendas aimed at enhancing productivity and sustainability’, and also that ‘national action is also needed to re-energise reform in the vocational education and training area’. [38]

In 2006, the IPART *Upskilling NSW* review noted pressures nationally to introduce degrees of competition in VET to build innovation, but this was occurring more in other States. IPART saw:

> Even in the absence of a specific government policy to open the VET sector to more competition, competitive pressure will be exerted on TAFE NSW as it seeks to establish joint ventures and other partnerships and competes for commercial programs. The TAFE systems from other states are also starting to compete for business in the NSW training market.

IPART did not recommend structural separation of policy, purchasing and delivery parts of the NSW Education Department and Training (DET). However, reviews since have emphasised increased competition, contestability of funding, competitive neutrality, and in governance, the partition of each type of decision-making role to reduce conflicts and encourage investment.

**BCG 2007.** To provide the basis for genuinely competitive purchasing arrangements, the State/Territories should clearly separate their roles as purchasers of VET and owners of VET providers and provide for more arms-length governance arrangement for owned providers…. Governments should, over time increase the proportion of funding that is truly contestable among public, private, community, local or interstate based providers. [39]

**OECD 2008.** Students entitled to funding should be able to choose VET providers. Open competition should be accompanied by support measures designed to ensure that a good range of provision is accessible to all, including disadvantaged groups, that better information is available to potential students on the quality of providers, and that different types of providers can compete on a fair basis. … Competitive neutrality should be ensured. In an open market, competition between providers, both private and public, should be fair, as this ensures good value for money. When a community service obligation falls on providers, or on public providers alone, this needs to be properly recognised and recompensed. At the same time, a strong capital base in a public provider, combined with some economies of scale, should not preclude market entry by competitors. [40]

**NCVER for Skills Australia, 2009** … it is [highly likely] the governance structure … sets the rules of the game and thereby the intensity of competition. A particular issue in Australia is that state training authorities have a conflict of interest in managing their role as regulator of the training market and providing, directly or indirectly, publicly funded training services. This has caused some experimentation with governance models, mostly variants of a purchaser-provider model, so as to attempt to separate as far as possible the regulatory and provider functions. [41]
The Chair of the IPART 2006 review, Dr Michael Keating, also conducted the key ‘Challenge for the Next Decade’ study for the South Australian Economic Development Board in 2008. Of note is the emphasis on competition and on choice through contestability as critical success factors. In a later 2008 paper, Dr Keating indicated that ‘the level of South Australian total training funds that are allocated on a contestable basis will rise from 25 to 50 per cent by 2012’.

The Skills for All, The Strategic Direction for Vocational Education and Training in South Australia 2011-2014 decision statement in February 2011 makes the need for structural change clear.

With the advent of increased contestability the development of a level playing field is essential to the VET market. As TAFE SA is currently a business unit of DFEEST, which also functions as the funder and purchaser of public training, a separation of the purchaser and provider functions undertaken by DFEEST will be implemented in the interests of competition. Effective 1 July, 2011, the purchaser and provider function within DFEEST will be separated through the formation of an Office of TAFE SA.

ACPET understands there is a history of TAFE NSW investment, delivery and public roles, and its recognition in the community for quality education and training to consider. However, in two decades Australia has seen positive change and strong user outcomes with opening of market-places to competition. Private providers deliver responsive, effective, quality training, as verified through regulatory audits, market feedback, and rising custom by individuals and employers.

While various providers experience quality lapses at times, regulatory and market systems move to correct such issues. Quality should not be assumed in a provider just because it is public. Quality includes response to expectations of students and employers with tailored programs and flexible delivery in order to achieve skills outcomes.

There are many examples at all education levels, world-wide, where a profit element sits well with quality, efficient, effective education provision, and sharpens market focus and service. Indeed, TAFE Institutes now operate as commercial providers in delivering some forms of training.

Current feelings around the need for large public providers of vocational training are influenced by the existence of those institutions. A productive future could depend on different models, and the flow of public funds should facilitate emergence of these models. ACPET advocates active moves to full contestability, and keeping an open-mind on mix of public and private provision.

Structural separation of government policy, regulator, purchaser and provider functions with reform of TAFE NSW as needed to enable effective, transparent competition in a market-based system with competitive neutrality operative, would be timely in NSW.

A modern, market-driven and competitive VET delivery system should apply the same quality and performance expectations to all providers, adjudicated by systemically separate entities.

Introduction of a market-based system should also include reassessment of perceptions on ‘market failure’ (open markets not working to service particular groups) or difficulties in servicing possible ‘thin markets’ (small numbers of buyers). Generalised views that only Government is able to service some regions or groups also need to be tested or modelled without the presence of a resourced public provider.

Overall, ACPET assesses that open competition plus structural separation of public entities will promote the efficient use of public funds, through better transparency and clearer incentives.
5. Professional staff – development of teachers across all providers

Raising the performance quality of all teachers associated with vocational education and training is vital to developing capacity and lifting productivity. Professionalism of staff also underpins greater quality and accountability of VET service provision to students and employers.

Skills Australia, in *Australian Workforce Futures: A National Workforce Development Strategy* 2010, says the VET sector must take on new roles including supporting workforce development, improving use of skills at work, developing workplace training plans and supporting those needing to gain foundation skills for work and further study. Skills Australia stresses that:44

The ability to use particular skills and knowledge in the production process, not merely acquiring them, is what really matters for productivity and income.

With capability challenges ahead, in April 2010 the Productivity Commission was asked to investigate the capacity of teaching workforces. The PC started with the VET sector. Its issues paper reiterated findings of prior reviews, including NSW IPART 2006, in highlighting the 'requirement for broader skills in VET professionals as a result of increasing system focus on client needs, including flexible delivery, greater focus on employability skills, catering for a more diverse student base, and partnering with enterprises and communities'.

Submissions to the PC review reinforce that VET practitioners must hold technical knowledge and skills relevant to industry areas in which they are training plus skills to effectively deliver VET including developing curricula and advanced assessments to match industry standards, and capability to drive innovation in integrated qualification, program design and delivery. A number of submissions indicate traditional VET structures have not engendered these capacities.46

The PC's November 2010 draft *VET Workforce* report, identifies among other findings that:47

- At an aggregate level, the current VET workforce numbers and capability meet many of the existing demands on the VET sector.
- However, the VET sector requires: more trainers and assessors with skills in demand; greater attention to meeting the contemporary skill needs of industry; and a wider base of the VET workforce that has at least basic educational capabilities.
- Demand-side pressures that are building on the VET sector will only be accommodated if capacity of the VET workforce grows commensurately. Capacity is a function of the number of VET workers and the efficiency with which they operate (for example, their individual effort).
- There is a case for improving the efficiency and productivity of the workforce through adoption of more contemporary work practices across the sector.
- On professional development, rising demands and expectations being placed on the VET workforce underscore the need for continuous workforce development, both in terms of industry currency and formal qualifications, including teaching.

Private training institutions are now arguably the 'engine room' of the Australian training sector. The contribution of the many private providers is under-acknowledged because much of their training delivery (including workforce development with enterprises) is fee-for-service rather than publicly funded. Statistical collections generally focus on training funded by governments.48
There are near 5,000 VET providers in Australia (public, private, group enterprise, and others),\textsuperscript{49} and the private training sector employs over 95,000 full-time equivalent staff nationally. A recent survey conducted for ACPET indicates private providers are delivering 74% of all VET, with 80% of this provided to domestic students, most on a fee for service basis.

ACPET members deliver some 85% of private provider training. Nationally, the ACPET survey estimates that private RTOs deliver over 4,000 accredited and non-accredited courses to 1.4 million equivalent full time (EFT) VET students annually. Of these, over 800,000 students are undertaking AQF qualifications at Certificate III level and above.\textsuperscript{50} In addition, some 21% of private provider delivery is to meet direct employer needs for skills set training to upskill workers as part of workforce development plans and practices.

**ACPET commends initiatives for co-investment by governments and providers to build skills and capacities of teachers and all working in education. It is important such support extends across all types of providers, public, private, and community.**

The progressive opening of the VET marketplace, including by contestability of funding, has spurred innovation and efficiency in both public and private providers – as seen in the following extract from a study and survey commissioned in 2006 by the Australian Industry Group.

Allen Consulting Group 2006, *World Class Skills for World Class Industries.* "Overall, around 65 per cent say that they are satisfied with TAFE services, and a similar proportion is satisfied with private provider apprentice training. A higher proportion is satisfied with private providers for non-apprentice training. Private providers are rated higher by employers than TAFE on all more detailed criteria except cost … although the gap between employers’ views of private providers and TAFE has narrowed over time, with TAFE now more responsive and private providers more affordable than in 1998. Low proportions of employers regard training by TAFE and private providers as world class, with a high proportion (around half) neutral on this issue. Substantially more do not regard TAFE apprentice training as world class (33 per cent) than do regard it as world class (20 per cent).

– Small firms have particular difficulty accessing training that is tailored to their needs.

– Several employers remarked that opening up TAFE to competition had helped to improve their service markedly in some cases. Where problems still exist, this was thought to be due, in part, to a lack of competition.

– Consistent themes were … best results come from close partnerships with providers and tailored training."

**ACPET believes there is high potential for NSW to achieve even stronger returns by considering these five policy issue areas and harnessing the vigour of private providers to lift effective VET training provision and participation in cities and regions.**

The evolution of training structures, competition and delivery reflects changing demands of both employers and individuals Australia-wide. Expansion of private providers and their increasing use also indicates the quality of the training and services they deliver, often without public funding support for students. Strong service delivery has been pivotal to growth of private training provision in such competitive markets.

**ACPET strongly supports progressive vocational education and training system reform, and looks forward to active involvement in discussions around developments in NSW.**
References


2 ABS 1370.0 - Measures of Australia’s Progress, 2010. Also: OECD Policy Brief, Economic Survey of Australia 2004, January 2005. ‘Although Australia has moved up … in terms of per capita incomes during the past decade, it has returned only to the relative position it already held in the early 1970s and remains well below the leading countries ... Higher [work] participation rates will not be enough … to fully offset the demographically-induced reduction in the relative size of the working-age population... Faster growth of labour productivity will also be necessary to boost per capita income growth.’

3 - Gruen and Garbutt, Treasury, The long term fiscal implications of raising Australian labour force participation or productivity growth, 2004
- Prime Minister, Preparing Australia for Global Competitiveness in the 21st Century, Australia 2020 Summit 2008
- Productivity Commission Update, 2009, What has happened to Australia’s productivity growth and why?;
- Treasury submission to the House of Representatives Standing Committee on Economics Inquiry into raising the level of productivity growth in the Australian economy, August 2009
- Business Council of Australia, Productivity Is Key to Everything, Jan 2011.
- Gruen, Economic and Financial Trends and Globalisation over the next 15 years and how they will influence the supply and demand for skills, address to Skills Australia Forum, Feb 2011.


5 Eslake S, Grattan Institute, 2010, Australia’s productivity performance, Presentation to Treasury, September.

6 In the AIG-Allens, World Class Skills for World Class Industries: Employers’ perspectives on skilling in Australia, 2006, report the AIG argued that ‘skills are integral to competitiveness’ and the need is for higher level skills, a broader range of skills, and for skills need to be updated more often. Major barriers to enterprise success over 2006-2009 were identified as: Inability to secure skilled personnel and their high cost, and insufficient labour flexibility. AIG inputs, significantly influenced design of the Productivity Places program.

7 Eslake, as above, 2010.

8 Mitchell and McKenna, 2008, Productivity and participation enhanced by VET, case studies for DEEWR.

9 Also: ‘Skill shortages are ‘like hospital waiting lists: they are going to come up and bite the government on the bum’, according to Heather Ridout, chief executive of the Australian Industry Group. … ‘Organisations grow by strategic innovation and continuous improvement and education and training is fundamental to that’, Unlocking skills is the key to prosperity, The Australian 8 Sept 2010.


Hilmer Competition Policy principles included: ‘limiting anti-competitive conduct of firms, reforming regulation which unjustifiably restricts competition, reforming the structure of public monopolies to facilitate competition, providing third party access to certain facilities that are essential for competition, restraining monopoly pricing behaviour and fostering ‘competitive neutrality’ between government and private businesses when they compete’.


VETAB *Annual Report 2008-2009*: At June 2009 there were 1020 Registered Training Organisations in NSW (TAFE less than 20), 688 were based in Sydney with possible branches, and 332 (33%) in regions. Hunter had 138 RTOs, Illawarra 74, North Coast 54, Western NSW 25, Riverina 21, New England 20.

WHK Horwath, for ACPET, *Education Industry Survey 2010*. ACPET itself operates quality benchmarking and professional development programs, and tuition assurance to support Australian and overseas students.

IPART 2006. This report contains references to the importance of competition for productivity and innovation and to informed student and enterprise choice. For instance, the IPART notes little comparative information on the performance of providers including TAFE was publicly available, and that ‘making such information available would help to drive improved performance and increase accountability across all providers. It would also help to enhance competition, by enabling potential students and employers to make informed choices about the best providers and courses for them’.

BCG 2007, *Skilling Australia’s Workforce 2005-08 Mid-Term Review*: ‘Genuinely contestable funding would provide strong incentives for both public and private providers to improve responsiveness and quality, and would also help to break down geographically based barriers to competition over time.’

OECD, Hoeckel et al, *Learning for Jobs, OECD Reviews of Vocational Education and Training Australia*, November 2008. Recommendations include that ‘Students entitled to funding should be able to choose VET providers. Open competition should be accompanied by support measures …’


Also OECD 2008: ‘Skills forecasts are often unreliable and should not be the foundation of central planning. In future, there should be more emphasis on a system driven by student demand balanced by employer willingness to offer workplace training.’

NCVER, Richardson and Tan, *Forecasting future demands: What we can and cannot know*, 2007, points out that demand for skills ‘is not observed directly, but is usually inferred from the number of people who are employed in occupations deemed to require those skills’. Also, while ‘many people in higher-level occupations..."
[including some trades] do not have the level of formal education designated for such work by education systems, they still get the job done. Further, new graduates of VET or universities, ‘play only a modest part in filling skilled vacancies’. Key personnel sources are people who learn on the job or have skills and are recruited from other workplaces, or who arrive as migrants. On ‘projections’, the report says that Australia’s models for projecting skills needs are of high quality by international standards, but because economies are complex and dynamic with many influencing forces:

-- It is not possible to make accurate projections of future skill needs in any detail, or for more than a few years into the future. Accuracy reduces as the projection timeline extends, as types of skills are more specific, and as projections are made by smaller region or area.

-- Planners should not try to match training to projected skills needs in any precise way; they should instead focus on distinguishing skills that are in growing demand from those in declining demand, and on skills that take a long time to learn (and to gear up to teach).

-- Planners also need to anticipate areas where there are large numbers of people with specific skills who will leave employment in the forecast period, i.e. replacement demand.

27 Serious health workforce shortages being experienced across Australia, appear in part to reflect capped education and training numbers agreed with sector groups last decade. Multiple reports are posted on Australia’s Health Workforce Online: www.ahwo.gov.au/publications.

As another example, in 2003, the NSW DET training purchasing strategy did not include ‘sustainable green skills’, nor ‘creative industries’, but did see transport and electricity, gas and water sectors as ‘in decline’ (in contrast to NSW DET lists for 2009-2011).

Also, data in the South Australia Skills for All Consultation Paper indicates that even at 85% cost subsidy for TAFE SA courses developed alongside industry, there has been no growth in uptake.


29 Case Study in Mitchell and McKenna, 2008, Productivity and participation enhanced by VET.

30 IPART 2006 Upskilling NSW, stresses workforce development as a focus challenge for all providers.


32 Australian Industry Group (AIG), Skilling the Existing Workforce, Dec 2008.

33 Allen CG for AIG, 2006, World Class Skills for World Class Industries – Employers’ perspectives on skillling in Australia.


35 Of the many political statements and commitments from major parties, the former Prime Minister’s pre-election Press Club address is a direct appraisal:

The truth is business regulation is now right out of control. The quantity and complexity of business regulation today is eating away at the entrepreneurial spirit of Australian business. But while enterprise is necessary to drive long-term economic growth, too much of our business community’s time, effort and attention is being consumed by glorified compliance agents on behalf of governments, both Federal and State. This is stifling the incentive to take risks and to innovate. It throws sand in the engine of economic growth. Australian businesses know exactly what I mean. Kevin Rudd address, Press Club April 2007.

36 Alongside supporting moves toward a national tertiary education system including a national VET regulator and new quality regime for training (AQTF Standards), ACPET has raised concerns about layers and details of regulation in a series of submissions to the Productivity Commission, Departments of Education, the Higher Education Review, and States during tertiary education planning reviews.

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The ability of the VET system to accommodate the needs of employers and individuals is an important influence on the take-up and completion of training which contributes towards the development of these skills. Additional contestability in the VET sector along with greater devolution for the public provider – both embodied in the South Australian Skills Strategy - will increase choices for both learners and employers, improve responsiveness, encourage innovation in training offerings and foster a more entrepreneurial culture.


45 At points through the 2006, UpSkilling NSW report, IPART identifies need: ‘…to enhance TAFE staff skills and develop a system-wide culture characterised by entrepreneurship and innovation’, and that ‘… Institute Directors need the flexibility to manage their relatively high staff costs, and provide incentives for staff to improve their productivity, innovate, and be responsive to evolving needs’.

46 Dr John Mitchell to PC review, July 2010. ‘VET practitioners (trainers and assessors) only have 80% of the skills they currently need to undertake their work’ in changing climates’. Also: Mitchell and McKenna, 2008, ‘The VET workforce needs to improve its productivity by becoming more flexible, innovative and responsive.’

Professor Erica Smith, University of Ballarat July 2010 to the PC review:

‘Vocational education does not have a high profile as an occupation, and providers sometimes struggle to find appropriate applicants for positions, particularly in rural areas and industry areas in which the industry workforce is experiencing a skills shortage and consequently wages are high, eg mining, electrical. Particularly in TAFE, teachers are sometimes attracted to job because of the working hours and holidays, and so, for some, this conflicts with the increased demands being placed upon teachers to be more flexible in their working arrangements … While private RTOs have a strong focus on responsiveness this is not the case at all levels in all TAFE Institutes. Teachers/trainers attracted to teaching in previous decades may find that the job had changed to one they are not particularly comfortable with. … I have found much variation within and between providers in teachers’ readiness to embrace new roles.’


48 See for instance, NCVER, 2009, Student Outcomes (VET statistics), statement of scope.

49 ABS, Year Book Australia 2009-2010.

50 WHK Horwath, for ACPET, Education Industry Survey 2010. By comparison, NCVER data indicates that TAFE Institutes deliver to around 511,000 EFT students each year, of which 370,000 are undertaking courses at Certificate III and above, with some 10% of TAFE training being in skill set form. NCVER, Data extract from Australian Vocational Education and Training Statistics: Students and courses, 2009.