This paper has been written as a supporting paper to "A Bridge to the Future: Australia's National Strategy for Vocational Education and Training 1998-2003" (ED 420 764). Because vocational education and training (VET) activities constitute a major expenditure for Australia's federal, state, and territory governments, effective performance measurement in VET helps to ensure funds are used efficiently and effectively. The primary objectives of key performance measures (KPMs) for the VET system are to demonstrate public accountability and identify continuous improvement opportunities. KPMs determine the efficiency with which resources are used to produce VET outputs and the effectiveness of these outputs in achieving the goals and objectives. They focus on outputs and outcomes. Efficiency, effectiveness, outputs, and outcomes are incorporated into seven KPMs. KPM 1 measures skill outputs produced annually within the domain of formally recognized VET. The four Effectiveness Measures are as follows: KPM 2: stocks of VET skills against desired levels; KPM 3: employers' views on the relevance of skills acquired through VET; KPM 4: student employment outcomes and prospects before and after participation in VET; and KPM 5: VET participation, outputs, and outcomes achieved by client groups. The two Efficiency Measures are as follows: KPM 6: (actual) public expenditure per publicly funded output and KPM 7: (actual) public expenditure per total recognized output. All KPMs are intended to be implemented progressively over the next 3 years with full reporting occurring in 2001 for the year 2000. (YLB)
Key Performance Measures for Vocational Education & Training

Purpose
The purpose of this paper is to provide an overview of the Key Performance Measures (KPMs), which monitor national vocational education and training objectives and ensure efficiency, effectiveness and accountability.

This paper is one of five supporting papers to *A Bridge to the Future: Australia’s National Strategy for Vocational Education and Training 1998-2003*.

The paper discusses:
- the purpose of KPMs in general;
- the characteristics of the KPMs that have been developed specifically for the VET sector;
- what each KPM for VET measures;
- the work required to implement the KPMs; and
- where and how often reporting on the KPMs is to occur.

Introduction

In November 1997, Ministers agreed in principle to a suite of KPMs developed by the Performance Review Committee (PRC) and presented in its report to the ANTA Board, *Key Performance Measures for Vocational Education and Training*, October 1997. Subsequently, in May 1998, Ministers agreed to the PRC’s *Key Performance Measures Implementation Plan* which outlined the tasks, timelines and costs involved in implementing the new suite of KPMs.

The KPMs are scheduled to be fully implemented by 2001.

Background
Governments at all levels have always had an interest in determining if the community has access to an appropriate level of publicly funded services. Measuring the extent to which this has been achieved has always been important.

Government services have been subject to limited performance measures in the past. The measures were primarily financial and related to the budget process and were monitored through the Annual Reports of departments. However, more recently, government services have been required to operate in a more business like manner and to become increasingly open to competition. This has made the use of performance measurement for decision making purposes increasingly important. In this changing environment, it was realised that financial accountability by itself provided too narrow a focus of performance measurement.

One way to obtain a broad view of performance is through the use of key performance measures. KPMs are a set of measures, few in number, that focus on the aspects of performance critical to the current and future success of the system being managed. Performance measures can be developed at multiple levels, for example at the system and the operations level. At the system level, the measures are broad and provide an indication of the performance of the entire system. At the operations level the measures are more specific and relate to subsystem or organisational performance. It is generally the measures which assess performance at the system level which are referred to as key performance measures.
Key Performance Measures in VET

Vocational education and training activities constitute a major expenditure for the Commonwealth and State/Territory governments. Effective performance measurement in VET helps to ensure that funds are utilised efficiently and effectively and enable this to be demonstrated to taxpayers and clients of the system. Effective performance measurement can also drive improvements in the VET system, underpin business operations decisions and provide clients and customers with information to help them evaluate VET providers.

The KPMs agreed to by Ministers represent the first tier in a number of levels of performance measures for the VET system. They are essentially a 'suite' of measures which, when considered together, provide a comprehensive picture of the performance of the VET system. The KPMs are not to be considered in isolation as individually they only measure one aspect of performance. It is only when they are considered as a suite that a valid, holistic picture of performance can be seen.

The primary objectives of KPMs for the VET system are to demonstrate public accountability and identify continuous improvement opportunities. The KPMs determine the efficiency with which resources are used to produce VET outputs and the effectiveness of these outputs in achieving the goals and objectives of VET. Effectiveness is a measure of how well the outputs of a service achieve the stated objective of that service. Efficiency relates to how well organisations use their resources to produce services and convert inputs (or resources) into outputs.

The KPMs were designed to focus on the core business of VET; relate to the key objectives of VET; be durable, long term and relevant to all levels of the system; few in number; and capable of measurement on a robust basis.

The KPMs for VET focus on outputs and outcomes, which is in keeping with the general move by Governments to implement an accrual based outcomes and outputs budgeting framework. Under the move, agencies are required to specify the outputs to be produced and the outcomes to which these outputs will contribute.

Outputs are what is produced by the system, that is the quantity of goods or services delivered by an agency. Outcomes are what has resulted from the outputs being produced. It is important that the correct outputs are produced so that the desired outcomes may be achieved and that both outputs and outcomes are used to measure performance.

The Key Performance Measures

At the time when the KPMs for VET were developed, the draft objectives of vocational education and training were:

- equipping Australians for the world of work
- enhancing mobility in the labour market
- achieving equitable outcomes in vocational education and training
- maximising the value of public vocational education and training expenditure.

Since then, a fifth objective has been added; increasing investment in training. There is at present no KPM which directly measures the fifth objective of VET as the objective had yet to be agreed at the time the KPMs were developed. The PRC plans to review the KPMs by the end of 1998 in the light of an agreed fifth objective.

The suite of KPMs are a mix of new and existing measures. The new output measures will require further work prior to implementation, while the existing outcome measures will be extended to improve data coverage.

Determination of the outputs of the VET system has been undertaken against a background of activity underway at the National and State/Territory level to implement the National Training Framework. This Framework focuses on assuring quality of the two 'bookends' of the system, competency standards and qualifications, and decreasing regulation of the processes undertaken in between to deliver the specified training outputs.

Following is a schematic diagram which demonstrates how efficiency, effectiveness, outputs and outcomes are incorporated into the KPMs.
**Effectiveness Measures**

**KPM 2: Stocks of vocational education and training skills against desired levels**

The vocational education and training system must enable people to acquire the skills that enterprises need to be internationally competitive. This KPM is directly related to the national mission for VET, which is to ensure that the skills of the Australian labour force are sufficient to support internationally competitive commerce and industry and to provide individuals with opportunities to optimise their potential.

This measure will help determine the extent to which the vocational education and training system is increasing Australia's skills pool in ways that enable Australian industry to improve its competitiveness.

KPM 2 is scheduled to be partially reported for the first time in 1999, with full reporting for the first time in 2001.

**KPM 3: Employers' views on the relevance of skills acquired through vocational education and training**

Employers want vocational education and training to equip workers with the competencies they need to contribute effectively to their business. This KPM focuses on the common objective of employers and industry which is to have an appropriately skilled workforce able to apply acquired skills in the workplace and contribute to increased productivity.

This KPM will measure the views of employers on the relevance of the skills of vocational education and training graduates as well as a range of supplementary information on this measure. KPM 3 is scheduled to be reported in 1998 with subsequent reporting every two years.

**KPM 4: Student employment outcomes and prospects before and after participation in vocational education and training**

Vocational education and training provides students with the necessary skills to gain initial employment and to further their employment prospects throughout their working life.
This KPM will measure students' work situations before and after training and will focus on measuring the extent to which VET helps students to achieve their employment goals.

KPM 4 is scheduled to be reported from 1998 annually.

**KPM 5: Vocational education and training participation, outputs and outcomes achieved by client groups**

A key objective of VET is to provide equitable outcomes. Equity sits across the framework of KPMs and will be measured for all KPMs as appropriate.

This KPM will measure the participation rates, completion rates and outcomes for different clients of VET compared to the VET client population as a whole. KPM 5 is in essence an assessment of several of the other KPMs by client group. Client groups which will be the focus of this measure are:

- women
- Aboriginal and Torres Strait Islander people
- people with a disability
- people from non-English speaking backgrounds
- people living in rural and remote areas

KPM 5 is scheduled for partial reporting for the first time in 1998 and full reporting for the first time in 2001. The quality of data in relation to the identification of client groups will be improved during this time.

**Efficiency Measures**

**KPM 6: (Actual) public expenditure per publicly funded output**

The vocational education and training system aims to maximise quality skill outputs with the available resources. Measures related to the efficient use of the public dollar are of prime public interest and considered to be essential in demonstrating efficiency and accountability.

KPM 6 measures the average public cost of publicly funded outputs.

The move to accrual accounting underway in all States and Territories, except the Northern Territory, will enable more comprehensive reporting of public expenditure. KPM 6 is scheduled to be reported for the first time in 2001 with partial reporting from 1999.

**KPM 7: (Actual) public expenditure per total recognised output**

This measure acknowledges the increasing public and private mix of VET funding and has been included because of public interest in the extent to which private investment in training is contributing to total recognised training, perhaps leveraged by the way public funds are allocated. Compared to KPM 6, this KPM measures public spending against total recognised skill outputs, both publicly and privately funded.

This KPM is scheduled to be partially reported from 2000 and fully reported for the first time in 2001.

**Work Required to Implement the KPMs**

At the ANTA Ministerial Council meeting of 14 November 1997, Ministers agreed to work commencing on initial tasks associated with implementation of the KPMs and to the development of a detailed implementation plan and associated cost implications for consideration by Ministers in the first half of 1998.

A full investigation has been undertaken into the work required to implement the KPMs. The National Centre for Vocational Education Research (NCVER) determined the changes which need to be made to existing information systems to ensure data to support the KPMs is available. In general terms these changes were incorporated into the overarching policy document, *Establishing an Integrated National VET Statistical Information Program 1995-2003*, put forward by the National Advisory Committee on Vocational Education and Training Statistics (NACVETS) and endorsed by Ministers out of session early in 1998. NACVETS also assisted with an investigation of the costs associated with the implementation of the KPMs.
The Performance Review Committee submitted its report, *Key Performance Measures Implementation Plan*, to the ANTA Board in April 1998. The report contained detailed timelines, work requirements, an identification of the cost implications and necessary data elements for each KPM. The Report was endorsed by Ministers in May 1998.

The timeframe for implementation of the KPMs remains as recommended in the PRC's report endorsed by Ministers in November 1997. All KPMs are planned to come on line progressively over the next three years with full reporting occurring in 2001 for the year 2000. It is planned that a second year of full reporting occur in 2002 before other current measures are dispensed with.

During 1998 and 1999, a coordinated effort will be required from ANTA, NCVER/NACVETS and State and Territory Training Authorities to progress the work as detailed in the implementation plan. In the latter half of 1998 the PRC will continue to progress the implementation of KPMs and act as a strategic and policy development forum on performance measurement and reporting in VET.

**Where to from here**

The KPMs are to be reviewed in the same cycle as *Australia's National Strategy for Vocational Education and Training* to realign the KPMs with any changes in the priorities and key objectives of the VET system. All the KPMs will require ongoing revision to ensure quality data.

**References**


**Reporting on the Key Performance Measures**

The key mechanism for reporting to taxpayers on how effectively and efficiently resources have been used is through the *Annual National Report for Australia's Vocational Education and Training System*. Performance information is reported in Volume 3 of the Report.
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