

The development of Australia's national training system: a dynamic tension between consistency and flexibility

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About the research

The development of Australia's national training system: a dynamic tension between consistency and flexibility

Kaye Bowman and Suzy McKenna, Kaye Bowman Consulting

This paper reflects on the history of vocational education and training (VET) in Australia. A key focus is the development of the national training system, which has emerged over the last two decades. The authors also explore the dynamic tension, built into the system, to achieve both national consistency and sufficient flexibility to ensure that training meets specific local, industry and learner needs.

Key messages

- Since 1992 the aim of the national VET system has been to respond to industry, and to individual and community needs, all within a nationally agreed system to achieve portability of VET skills across the nation and therefore labour mobility. The end goals have been to realise measurable improvements in the national work skills pool and in employment among individual VET graduates.
- The national training system in Australia is underpinned by:
 - national frameworks for VET products aimed at achieving consistency in training outcomes but with flexibility in the way providers deliver and individuals realise their learning goals; and consistent nationally agreed VET provider standards for entry into the nationally recognised training market, but with flexibility to encourage providers to pursue higher standards
 - a national training market, initially using contestable funding approaches and then client demand-driven models with flexibility built in to allow jurisdictions to tailor their approaches.
- Overall, the implementation of national VET reform initiatives has followed a pattern of continuous improvements against the objectives of the national training system – responsiveness, equity, quality, efficiency and public value, financial sustainability and transparency – and then increasing harmonisation of practices across jurisdictions.
- The system is learning from its experience in adopting market principles and in implementing student entitlements.
- A set of clearly articulated principles for market design would assist further reform efforts.

Readers may be interested in two related reports *Jurisdictional approaches to student training entitlements: commonalities and differences* and *Student entitlement models in Australia's national training system: expert views*. These are available from the NCVET portal <<http://www.ncver.edu.au>>, along with a research summary titled *Balancing consistency and flexibility in student training entitlements: research overview*.

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Executive summary

This report traces the development of Australia's national training system, identifying its rationale, objectives and key elements, and outlines the main reforms undertaken between 1992 and mid-2015 to shape the national vocational education and training (VET) system. In so doing, it explores one of the fundamentals of the system: the dynamic tension that exists between consistency and flexibility.

Approach

We revisit the history of VET to help to establish a clear understanding of what is meant by a national training system in Australia. This was necessary to aid consideration of the implications of jurisdictional approaches to a recent national reform, VET student entitlement funding. A robust literature review was undertaken, along with an analysis of how consistency and flexibility have been incorporated into various reforms.

Context

In 1992 all nine Australian governments took a landmark decision in relation to vocational education and training. They agreed to create a nationally coordinated training system. At the time, VET in Australia essentially comprised eight public TAFE (technical and further education) systems run by the various state and territory governments. This decision recognised that a more uniform approach to vocational education and training would assist Australia's competitiveness in the global economy. It also acknowledged the need for the joint resources of the Commonwealth and state and territory governments to fund greater training efforts.

In the latest national agreement on VET, signed by the Council of Australian Governments (COAG) in April 2012 and known as the National Partnership Agreement on Skills Reform (NPASR) 2012–13 to 2016–17, one of the initiatives was the introduction of a national minimum training entitlement by 2015. The entitlement aims to create a more accessible and equitable training system by ensuring that all working-age Australians have access to a government-subsided training place up to their first certificate III level qualification. Students should also be able to choose any registered training organisation (RTO) from among those approved to deliver the training entitlement (Council of Australian Government 2012, p.7). The introduction of a national training entitlement is one of the jurisdictionally flexible reforms. How the states and territories have so far implemented the entitlement is mapped out in *Jurisdictional approaches to student training entitlements: commonalities and differences* (Bowman & McKenna 2016a), while the views of experts on the consistency and flexibility within the system are reported in *Student entitlement models in Australia's national training system: expert views* (Bowman & McKenna 2016b).

The system's purpose, objectives and key elements

We consulted the various national VET agreements and national VET strategies that have been developed since 1992, following the introduction of a national training system, and arrived at the following statements that help clarify its purpose, objectives and key elements.

Purpose

Since 1992 the aim of the national VET system has been to respond to industry and individual and community needs, all within a nationally agreed system to achieve portability of VET skills across the nation and therefore labour mobility. The end goals have been to achieve measurable improvements in the national work skills pool and in employment among individual VET graduates.

Objectives

The system's objectives have been focused on its operation and have been used to gauge the performance of the various national training reform initiatives. They are:

- responsiveness: to the needs of industry, individuals and the community so that VET skills gained are used
- equity: of access and participation for individuals
- quality: in training delivery and learning outcomes
- efficiency and public value: for government-funded VET to be efficiently priced and steered to skills areas that support job outcomes when this may not take place if left entirely to enterprises and individuals
- financial sustainability: by funding the VET system with shared contributions from governments (where there is public value), enterprises (private value) and individuals (private value)
- transparency: to enable better understanding of the VET system among clients so they are able to navigate the system and make informed choices and decisions.

Key elements

We found two strategic elements that have been constant in the national training system:

- *National standards for VET products and providers*: these aim to ensure a large degree of consistency in training outcomes and the quality assurance of registered training providers to deliver the outcomes. National portability of training outcomes has been the dominant driver in terms of these standards.
- *The development of a national training market*: the reason for developing a training market has been to open up government funding to the full range of registered training organisations, both public and private, to stimulate the efficient allocation of the public training dollar. Flexibility has been the dominant driver in training market design to ensure that public funding achieves the right mix and quality of skills to meet industry needs nationally, regionally and locally, as well as assist graduates to obtain jobs and/or move to further learning. This has resulted in different calibrations of the entitlement across the nation.

Conclusion

Australia's integrated model of national skills standards and the national framework for awarding qualifications is a major strength of its VET system. However, the varying student entitlement reforms have produced both successes and failures. Success is evident where students are commencing and completing training with high-quality providers, training which is delivered efficiently and effectively, hence achieving greater value for its public

subsidy. On the flipside, the failures have exposed weaknesses in, for example, design 'overreach', whereby training is not achieving the desired goals as a result of not adequately understanding the needs of the market, or the existing private fee-for-service market, nor effectively managing the consequences of change. These factors are all the more challenging if available public funding is capped. This creates the necessity for a 'managed demand-driven' system. Critically, the differing models applied in the implementation of the student training entitlement reform have each coincided with reforms that have required public providers to operate in an environment of greater competition, and it is this that has been the trigger for much of the resulting disruption.

Responsiveness to local, regional and national supply and demand needs for VET skills, as well as equity of access to an entitlement, requires approaches and allocations that are sufficient and flexible. Greater national coherence can be achieved in student entitlements if nationally consistent principles are developed to determine eligibility for subsidies and loans, and aid market design and the provision of consumer information.

Introduction

This occasional paper provides an overview of the development of Australia's national training system and is a key knowledge document of a wider research project *Consistency with flexibility in the Australian national training system*. This research project investigates the various approaches undertaken by each of the jurisdictions to establish a student entitlement funding model and also examines one of the often overlooked fundamentals of the national training system – the dynamic tension that exists between consistency and flexibility.

In reviewing the rationale, objectives and key elements of Australia's national training system, an outline is provided of the main reforms undertaken between 1992 and mid-2015 to shape the national VET system. There is also an examination of the lessons learnt from early versions of student entitlement funding that have influenced the current jurisdictional approaches.

Context

In 1992, a landmark decision by the Commonwealth, state and territory governments enabled the creation of a nationally coordinated VET system.

Prior to this decision, vocational education and training in Australia comprised eight public TAFE systems run by their own jurisdiction's governments¹ but it was recognised by decision-makers that a more uniform approach to vocational education and training would significantly contribute to Australia's competitiveness in the global economy. It was also acknowledged that there was a compelling need for the joint resources of the Commonwealth and state and territory governments to fund greater training efforts. A 'nationalising VET' process has been underway since this time.

To oversee the reforms, over the last 23 years, various national bodies were established, reconfigured, replaced or even abolished. The one constant during this time has been a national ministerial council to direct policy-making.² In addition, the Council of Australian Governments has provided a platform for driving national-level reform among the nine governments, primarily through intergovernmental agreements, including in the area of vocational education and training.

The latest national agreement on VET reform, signed by Council of Australian Governments in April 2012, is the National Partnership Agreement on Skills Reform (NPASR), which covers the period 2012–13 to 2016–17. The structural reforms and other actions carried out under this partnership are directed towards achieving the reform directions agreed under the National Agreement on Skills and Workforce Development (NASWD). The agreement (Council of Australian Governments 2012, p.6) includes two types of reforms:

¹ There was a co-existing private training sector, made up of a diverse mix of industry, enterprise and commercial providers that operated in isolation from the public TAFE systems (Anderson 2005, p.13).

² The first, in the late 1980s, was MOVEET (Ministers of Vocational Education, Employment and Training), then from the mid-1990s it was simply the Ministerial Council or MINCO, and in 2015 the body is the COAG Industry and Skills Council.

- national reforms that are agreed and implemented nationally and in each jurisdiction
- flexible reforms that are agreed nationally but implemented differently in each state/territory.

One of the initiatives of the agreement (Council of Australian Governments 2012) was the introduction of the national minimum training entitlement, which was to be implemented by 2015. The entitlement aims to create a more accessible and equitable training system by ensuring that all working-age Australians have access to a government-subsided training place up to their first certificate III level qualification. It was also designed to enable students to choose any registered training organisation from among those approved to deliver the training entitlement (Council of Australian Governments 2012, p.7).

The introduction of a national training entitlement is one of the jurisdictionally flexible reforms. By its nature this initiative has resulted in a tension between achieving consistency across the national system and flexibility at the jurisdictional level. The chief executive officers of the state and territory VET systems acknowledged in 2002, following implementation of training package reforms and the introduction of an accreditation and quality framework for providers, that these reforms created a tension:

between flexibility and innovation on the one hand and quality assurance and national consistency on the other. The unanimous view was that it would be a mistake to ‘throw the baby out with the bathwater’, i.e. to lose quality control and national consistency in the search for flexibility and incentives for innovation – the system must provide for both. (Curran 2002, p.12)

Nowadays many aspects of Australia’s VET system are consistent nationally, with as much flexibility as possible incorporated to ensure the system is responsive to the different local conditions and industries around the country.

Understanding this dynamic tension and its implications has been a key driver for undertaking this suite of research. In particular, the research examines where the line between consistency and flexibility has been in relation to training entitlement funding and the associated standards for provider quality and/or contractual behaviours.



Key developments in VET

This chapter examines the development of vocational education and training in Australia. It provides a brief overview of the key developments at a national level up until the time it was formally agreed that a nationally coordinated approach to vocational education and training be taken. There is also a review of the rationale for developing a national training system and the agreed goals, objectives and key elements that would be achieved through this mechanism.

Overview of VET prior to 1992

State-based systems development: to the 1970s

Technical education, as vocational education and training was originally referred to in Australia, was among the first forms of education established in the European settlements. An apprenticeship system, modelled on the British system, was introduced in the early 1800s. By the 1870s all Australian colonies had established technical education institutions to train people for broad occupations, as defined by the relevant industries. The technical institutions served both youth and older workers. They were the main means of post-primary education: at the time of Federation in 1901, there were only three state high schools in Australia, all in New South Wales, compared with over 30 technical colleges in that state alone (Pickersgill 2004, p.22).

Post-Federation, the Commonwealth of Australia's constitution gave state and territory governments primary responsibility for education. These governments expanded their network of publicly funded technical institutions, according to local industrial conditions and to geographic and demographic features. On several occasions the states and territories asked the Commonwealth to invest in their technical education systems but with no or limited success until the 1970s.

- During the First World War the Commonwealth set up temporary technical education institutions to support the war effort, in parallel to state systems, arguing that it could not fund the state systems for constitutional reasons (National Commission of Audit 2014, p. 75).
- During the economic depression of the 1930s, the states requested that the Commonwealth help in the financing of technical education, particularly capital projects, to assist in alleviating the high levels of unemployment. But this support was not forthcoming from the Commonwealth (Goozee 2001, pp.17–18).
- Technical education became a vital part of the Second World War effort and the Commonwealth provided some financial assistance to the states to help in building capability. There was also funding provided to the states to support retraining of returned service personnel (Goozee 2001, p.18).³

³ Pickersgill (2004) suggests the Commonwealth Government was in a better position to justify funding education from its reserves when income tax rights were transferred to the Commonwealth during the Second World War (p.33).

- During the 1950s and 1960s, technical education reverted back to receiving limited attention nationally. The Australian Education Council (AEC) and also the Technical and Further Education Teachers' Association of Australia (TAFETAA) advocated for additional Commonwealth financial assistance but with little success. However, through the introduction of the Commonwealth Technical Scholarship Scheme in 1965, Commonwealth financial assistance was provided to some students (Goozee 2001, p.20).
- In January 1973, the Technical and Further Education Teachers' Association of Australia, at its annual conference, resolved to request the Commonwealth Government to hold a national inquiry into technical education. The Commonwealth Government (of 1972–75) agreed to undertake this request (Goozee 2001, p.24).⁴

The state-based TAFE epoch: early 1970s to early 1980s

In 1973, the Australian Committee on Technical and Further Education (ACOTAFE), chaired by Myer Kangan,⁵ undertook a national inquiry into technical education. The committee's report – the Kangan report (Australian Committee on Technical and Further Education 1974) – established the foundation for a new era of technical education.⁶ It provided technical education with a clearer, national identity within the education system and introduced the new name of technical and further education, or TAFE. Having uncovered the parlous finances of the state systems, the Kangan Report also recommended significant Commonwealth recurrent and capital funding to TAFE to provide a stable financial operating base.

The Kangan Report defined TAFE as an alternative, neither inferior nor superior, to the other sectors of education. It saw TAFE as a social entitlement and a key responsibility of government; its purpose was to offer broad-based vocational education to develop the student's ability to the best advantage of the individual and the community, including industry and commerce. The report stressed this was only a shift in emphasis: the realities of job opportunities, the continuing demand for skilled manpower and the relevance of courses to the content of occupations remained the context for the type of education offered in technical colleges (Goozee 2001, p.25).

Implementation of the recommendations of the Kangan Report went ahead, even with a change of Commonwealth Government in the same year. From 1976 to 1982, Commonwealth funds contributed to growth in TAFE enrolment numbers in all states and territories and to important changes in the student profile due to an improvement in student financial assistance (fees were abolished) and the targeting of educational programs towards disadvantaged groups (Goozee 2001, p.26).⁷

⁴ The Labor Party policy platform of 1971 emphasised the promotion of 'equality of opportunity', particularly in education, health and welfare. The policy of the Liberal governments of the 1950s and 1960s had been that primary responsibility for education rested with the states. Notwithstanding, the Commonwealth did become involved in funding schools and tertiary education during this period (Goozee 2001, p.25).

⁵ The ten other members included representatives from business, the Australian Council of Trade Unions (ACT'U), state technical education systems and higher education.

⁶ In the light of the enduring significance of the Kangan Report, a national commemoration of the twentieth anniversary of the report was held in Canberra on 25 July 1994. See Kearns and Hall (1994).

⁷ It has been suggested that the Commonwealth Liberal Government then in power saw TAFE as a means of picking up the casualties from the growth in unemployment and the cutbacks in social welfare caused by the oil shock of 1974 and the economic recession that followed. Vocational education was a way in which

The Kangan Report provided a platform for TAFE on the national agenda and led to national TAFE policies and standards (Goozee 2001, pp.27–8). During this period both Commonwealth and state governments began to recognise TAFE as a core component of the tertiary education system, rather than an extension of secondary education (Goozee 2001, p.51). Until this time, Australia had been the only advanced industrialised country where there was no national coordination of training to ensure uniformity of training methods or standards and a common acceptance of qualifications to encourage labour mobility (Goozee 2001, p.23).

Towards a national training reform agenda: 1980–1992

By the early 1980s, national cooperation between the state-owned and operated TAFE systems was progressing. The mobility of the Australian population, the trend towards national industrial awards, and the growth in the number of firms operating in more than one Australian state led to the push for greater uniformity across Australia in the provision of TAFE services (Goozee 2001, p.58).

Throughout the 1980s the Australian Conference of TAFE Directors (ACTD) led the development of many national initiatives including:

- a system of classification of TAFE courses
- nationally consistent nomenclature of TAFE awards and a national register, the Australian Council of Tertiary Awards (ACTA)
- the development of national core curricula under the direction of the Curriculum Projects Steering Group (CPSG)
- a system for the collection of national TAFE statistics (Goozee 2001, pp.58–61).

In 1983, the Commonwealth Government advocated for the national coordination of TAFE, which was seen as a key part of the government's microeconomic reform agenda to restructure and develop Australian industry.

A succession of Commonwealth Government inquiries (for example, Jackson 1975; Williams 1979; and Myers 1980, as cited in Goozee 2001) had highlighted deficiencies in Australian industry and the urgent need for structural adjustment in the face of technological developments, international competition and employment trends. The Commonwealth Government (1983–86) determined that Australia's VET systems had an active role in enabling Australia to strategically respond to economic and employment challenges (Dawkins 1986). The priority areas that were identified became known as the National Training Reform Agenda (Dawkins 1989).

The seminal document, *Australia reconstructed* (Australian Council of Trade Unions and Trade Development Council 1987), defined an approach to integrate employment, education and training programs (Ryan 2011, p.10). This report also led to the 1988 national wage case that related wage gains and career progression to skills acquisition through training or recognition of prior learning (Ryan 2011, p.10). A subsequent document, *A changing workforce* (Dawkins 1988), described how the newly established relationships between

people could take action to solve their own problems as well as being essential for increasing labour force skills and assisting economic recovery (Goozee 2001, p.32).

education and award restructuring could reshape participation in education, the workforce and the community. Many of the features of the future national VET system were outlined in this paper, including competency-based training and industry-based provision (Goozee 2001, p.67).

By 1991, the views expressed by the Commonwealth on the value of vocational education had been adopted by most states and territories. The emphasis altered and became focused on the needs of industry, rather than on those of the individual (Goozee 2001, pp.63–5). New industry and/or employment portfolios and ministerial council structures were formed to aid cooperative development of the National Training Reform Agenda.

In the 1992 economic statement, *One nation*, the Commonwealth Government made a bid for full control and funding of vocational education across Australia (Australian Government 1992). Resistance to this concept from the states and territories led to an alternative federalist approach. Later that year, Australian governments signed the national Vocational Education and Training System Agreement, which aimed at greater cooperation and coordination between governments in the pursuit of a common purpose (Ryan 2011).⁸ The underlying tenet of the agreement was consistent with the philosophy of cooperative federalism that had been endorsed by the COAG Premiers Conference two years earlier, in 1990.

Henceforth, Australia's VET system has evolved through a series of frameworks and partnership arrangements between the nine Australian governments and key players in industry, including associations and unions,⁹ rather than through nationally consistent administrative arrangements (Goozee 2001, p.84). This has resulted (as the 2014 National Commission of Audit Report observes), in vocational education and training becoming particularly complex because of the continual requirement to balance the needs of the education, industry and community sectors, as well as adhere to the cumbersome governance arrangements across the Commonwealth–state divide.

Implementing a national training system: 1992 to the present

Establishing the core aspects

The Australian National Training Authority (ANTA) was established under the *Australian National Training Authority Act 1992* and was directly responsible to the Ministerial Council and Council of Australian Governments. ANTA was established to undertake a key leadership and coordinating role in developing a national VET system. The goals, objectives and reform initiatives (summarised in table 1) were a mix of end goals and intermediate goals, some of which were not presented consistently in the policy documentation (Allen Consulting 1994). There was also a lack of a definite and clear statement regarding the reform agenda to achieve a national training system.

⁸ This might be the first 'official' use of the term VET.

⁹ Sometimes specialist committees were convened to advise on the needs of particular social groups in the community (for example, Aboriginal people and people with disabilities).

Table 1 Agreed goals, objectives and initiatives of the national training system as at 1992

Goals	Objectives (summarised)	Reform agenda initiatives
Build a more effective, efficient and collaborative national training system	A national VET system, with agreed objectives, priorities, funding, consistent national strategies and a network of providers delivering nationally recognised programs	Competency-based training Accreditation of training courses
Improve the quality of the system		National recognition of qualifications
Improve opportunities and outcomes for individuals	A close interaction between industry and VET providers so that the training system operates within a strategic plan that reflects industry needs	National registration of training providers
Improve responsiveness to industry needs		Entry-level training arrangements
Ensure equity within the system	An effective training market with public and private providers	Access to structured publicly recognised training
Increase public recognition of the value of vocational education and training	An efficient network of publicly funded providers	Access and equity
	An increase in opportunities for target groups	Development of a training market
	An improvement in cross-sectoral links between schools, higher education and VET	

Sources: Goals: national Vocational Education and Training System Agreement 1992; Objectives: the ANTA Agreement 1992, as summarised by Allen Consulting (1994); and Initial Reform Initiatives: Dawkins (1989).

Following the abolition of ANTA in 2005, the Commonwealth department responsible for education took over the majority of ANTA’s functions. With a change of government in 2007, the role of providing expert and independent advice about Australia’s future workforce skills development was assumed by a new entity – Skills Australia – which was established in 2008.¹⁰ Skills Australia, later the Australian Workforce Productivity Agency, was wound up in July 2014.

Today’s national training system

Twenty years after the introduction of a national training system, it is still difficult to find a consistent statement about its purpose, objectives and key elements. What follows is the authors’ attempt to articulate these. Our starting point was the list of goals, objectives and priority areas for reform identified by Allen Consulting in 1994, as in table 1. We also looked at the many different statements made on these matters in the various national VET agreements and national VET strategies developed since 1992. (These are listed in the appendix.) Notably, the 1992 themes have continued to appear in all subsequent national VET agreements, albeit in slightly different forms, as the system has matured.

Purpose or goals

Since 1992 the aim of the national VET system has been to respond to industry, individual and community needs, all within a nationally agreed system. The end goals have been to achieve measurable improvements in the national work skills pool and in employment among individual VET graduates. In effect the system has a dual purpose:

¹⁰ See Ryan (2011) for a detailed discussion of the ANTA era.

- economic goal: to ensure that the skills of the Australian labour force are sufficient to support internationally competitive commerce and industry
- social goal: to provide more individuals with opportunities to optimise their potential through VET as an alternative to the more academic schooling and university education systems.

To achieve these goals the direction of VET reforms has tended towards national consistency in certain areas, particularly in outcomes from VET, by establishing standards for VET products (training packages and accredited courses) and for VET provider registration. The aim has been to achieve portability of VET skills across the nation and therefore labour mobility. Linked to this has been a strong focus on establishing industry leadership in key aspects of the national VET system, given that for most the outcome they are seeking from training is a job.

Operational objectives

The system's objectives have been focused on its operation and have been used to gauge the performance of the various national training reform initiatives. They are:

- responsiveness: to the needs of industry, individuals and the community so that VET skills gained are used
- equity: of access and participation for individuals
- quality: in training delivery and learning outcomes
- efficiency and public value: for government-funded VET to be efficiently priced and steered to skills areas that support job outcomes when this may not take place if left entirely to enterprises and individuals
- sustainability: by funding the VET system with shared contributions from governments (where there is public value), enterprises (private value) and individuals (private value)
- transparency: to enable better understanding of the VET system among clients so they are able to navigate the system and make informed choices and decisions.

Key elements and specific initiatives undertaken

A strategic framework for the national VET system was not well developed in the initial stages. While such a framework has yet to be clearly articulated, the research identified two strategic elements that have been constant: national frameworks for VET products and providers, and the development of a national training market. The specific initiatives undertaken to develop these elements are identified in table 2.

Table 2 Overview of the national VET system’s key elements, specific initiatives and the main objective they aim to meet

Elements	General approach	Specific initiatives (sample)	Main objective of the initiative
National frameworks for VET products	Standards for qualifications and course accreditation, including industry involvement through industry skills training councils etc.	Competency-based VET	Responsiveness: nationally recognised, industry-relevant and valued training outcomes
		Nationally endorsed industry training packages	Equity: individuals’ skills are nationally recognised and portable
		Accreditation of training courses	
National standards for VET providers	Standards for registered training organisations, including quality learning and assessment processes and organisational operations	National recognition of VET qualifications	Equity among providers to enter the VET market
		National registration of VET providers	Quality: teaching and learning outcomes assured through robust and national processes
	Standards for registering and accrediting bodies	Independent validation of training provider assessment	Transparency: public access to information on endorsed qualifications, registered providers and data on system performance
Training market development	Towards contestable and demand-driven public VET funding arrangements	Funding arrangements	
		Competitive tendering	Efficient training dollar usage
		User choice	Responsiveness to client needs
		Co-enterprise-government funding	Sustainable funding through shared investment
		Student entitlement	Access and equity, to a first certificate III level qualification and to higher-level VET
		Income-contingent loans	
		Required other reforms	
		Market design principles	As the bases of concerted action
		Separation of roles of government	Provider, purchaser, regulator to avoid conflict of interest
		Strong quality assurance	Through two standards elements
Improved information for VET clients	Transparency to enable informed VET choices.		



Evolution of the key elements of the national training system

This chapter details the initiatives outlined in table 2, showing how the two key elements of the national training system have been progressively developed. The focus is on those aspects considered important to achieve national consistency, but with certain agreed flexibilities.

National frameworks for VET products and providers

National frameworks for regulation of VET products (training materials) and VET providers are the cornerstones of the national training system. While the evolution of these frameworks has sometimes been two separate processes, they have always and still do operate in tandem and in accordance with the Australian Qualifications Framework (AQF).

Rationale

The purpose of developing national frameworks for VET products has been to ensure consistent training outcomes, so that individuals and enterprises do not face barriers in undertaking or benefiting from training when moving between jurisdictions, qualifications or jobs. The key focus has been on ensuring that VET products will produce graduates with the knowledge, skills and attributes that industry needs and to support employment outcomes for students.

The development of national frameworks for VET providers has focused on assuring providers meet specified requirements and can deliver the training outcomes specified in the training products.

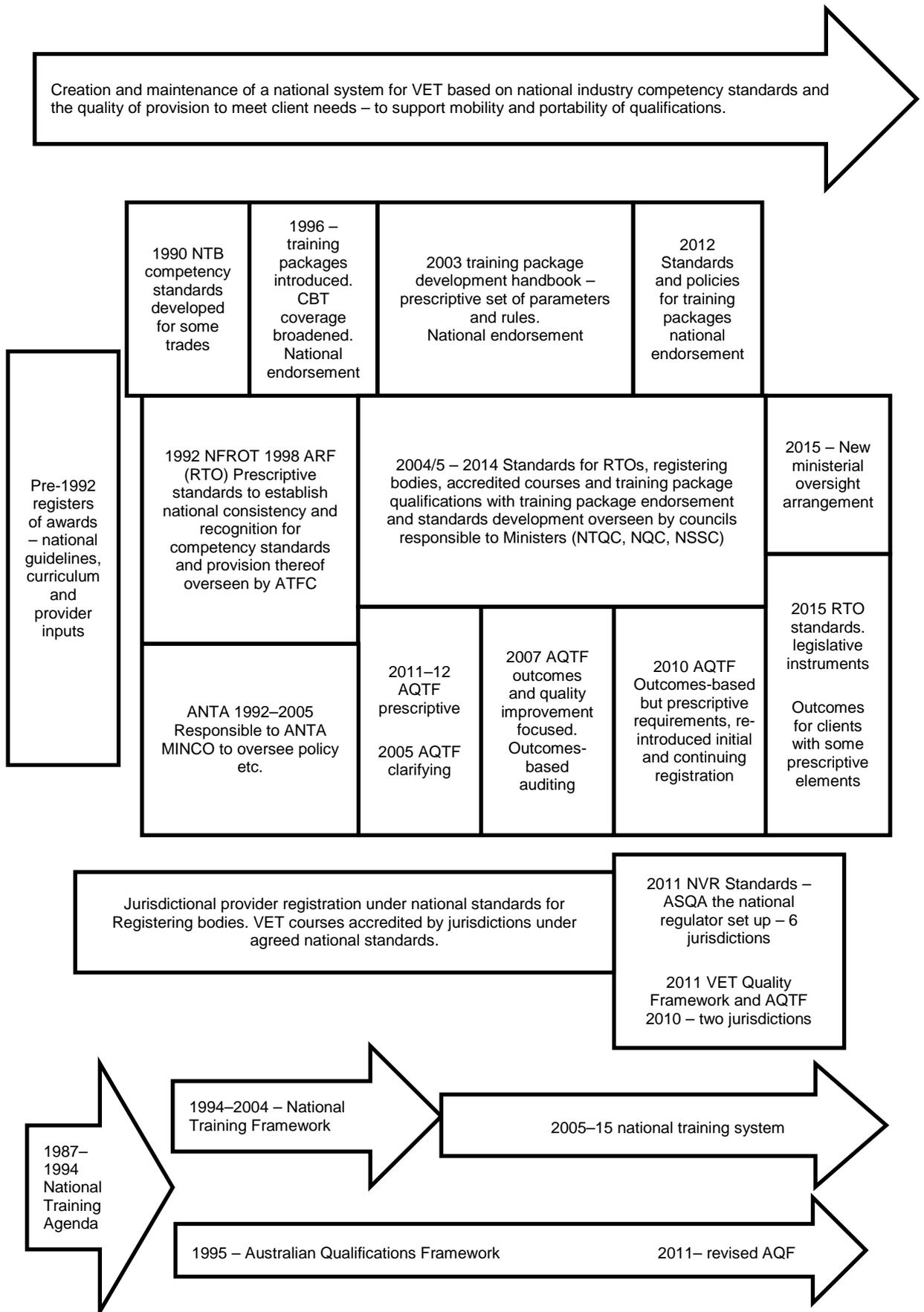
These frameworks underpin the capacity and capability of providers to deliver nationally recognised VET products and are the basis of trust in the outcomes of the national system.

Origins

From the 1970s to the 1990s a number of national agreements successfully increased consistency in the jurisdictions' processes for the approval, naming and registration of tertiary education awards. In the main, publicly funded institutions issued awards. Over time a growing number of other kinds of providers sought official registration of their courses and the ability to award recognised qualifications. To allow for this, national frameworks for VET products and providers were developed.

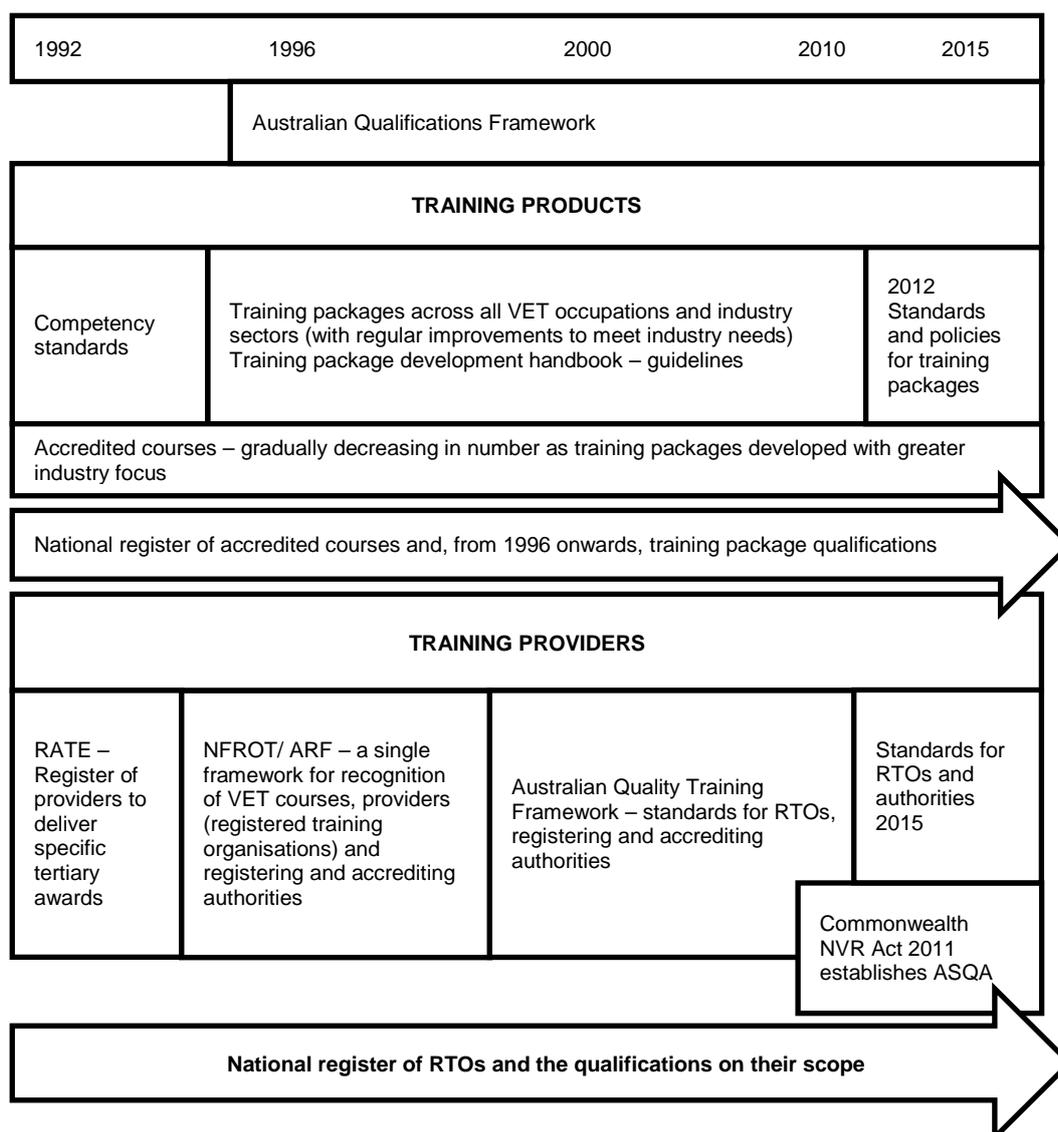
Figure 1 provides an overview of the initiatives introduced since the late 1980s to develop national frameworks for VET products and providers, while figure 2 provides a more detailed timeline of the development of VET products and provider standards from 1992 to 2015.

Figure 1 National frameworks for VET products and providers initiatives since the late 1980s



Notes: NTB = National Training Board; NFROT = National Framework for the Recognition of Training; ARF = Australian Recognition Framework; ATFC = Australian Training Framework Committee; MINCO = Ministerial Council; AQTF = Australian Quality Training Framework; ASQA = Australian Skills Quality Authority; NTQ = National Training Council; NQC = National Quality Council; NSSC = National Skills Standards Council.

Figure 2 Detailed timeline of VET products and provider standards development, 1992–2015



Notes: RATE = Register of Australian Tertiary Education; NFROT = National Framework for the Recognition of Training; ARF = Australian Recognition Framework; RTO = registered training organisation; NVR = National Vocational Education and Training Regulator; ASQA = Australian Skills Quality Authority.

Initial developments under the national training reform agenda

During the 1980s the concept of competency-based training began to be adopted in Australian VET. Competency-based training was proposed in the paper *Improving Australia's training system* (Dawkins 1989) as a major driver of change to the way training could occur. One of the main attractions was that it involved a move from the time-served completion of a course to one based on the assessment of observable competence against industry-specified standards of performance. This approach also enabled skills and knowledge that had been acquired in settings other than training institutions to be assessed and formally recognised (Misko 1999). In short, a competency approach enabled flexibility in how the person achieved competence.

In 1990, under the National Training Board (NTB), work was begun on the development and approval of industry-specific competency standards, mainly for the traditional trades. Eventually the approach was extended to all occupations in the VET sphere and a new system of entry-level training arrangements to all industries was achieved.¹¹

In 1994, following the Allen Consulting review of vocational education and training, the National Training Framework was created. ANTA's Australian Training Framework Committee (ATFC), comprising industry and government/jurisdiction representatives, had oversight of the framework. It was responsible for endorsing competency standards, assessment guidelines and related VET qualifications developed by industry bodies that were, from 1995, AQF-compliant. These components were eventually merged into industry training packages.¹²

The training framework committee was also responsible for the Australian Recognition Framework (ARF), the other component of the National Training Framework. It was under this framework that jurisdictional training authorities registered providers of training and assessment services, giving them entry to the formal VET system.

Registered providers (known as registered training organisations) were required to accept national AQF qualifications or statements of attainment issued under their scope of registration by any registered provider. In addition, under the Australian Recognition Framework the states and territories were to recognise providers registered by other Australian jurisdictions.

These principles of mutual recognition, set up in 1992 under the National Framework for the Recognition of Training (NFROT), together with national implementation of the 'user choice' funding model for apprenticeships and traineeships during the late 1990s, drove and then hastened the development of more robust nationally agreed and monitored standards for training products, as well as for training provider registration (Misko 1999; ANTA 1999; Anderson 2006; OECD 2008, pp.10–11).

Improvements in VET products

Stocktakes of VET products and providers in 2002 and in 2004 (Schofield & McDonald 2004) illustrated that the national training system had advanced and expanded. At this time there were:

- 70 endorsed industry training packages with two under development and nine enterprise training packages
- 4100 registered training organisations, comprising a diverse mix of public (TAFE), industry, enterprise, commercial and community organisations, with TAFEs retaining the

¹¹ See Ryan (2011) and Misko (1999) for a detailed history and discussion of competency-based training in Australia. Also see the 1992 report of the Employment and Skills Council to the National Board of Employment, Education and Training, which detailed a national integrated system of competency-based vocational certificate training and a realistic process of staged implementation to meet Australia's training needs in 2001.

¹² Initially, work on the competency standards and other products was done by state and national industry training advisory boards and later by national industry skills councils.

largest share of the publicly funded training market. Substantial growth in the private sector had become evident

- an average of 56% of total VET hours delivered, and 95% of apprenticeship and traineeship commencements, in training package qualifications (Schofield & McDonald 2004, p.11)
- comparatively fewer accredited courses having a complementary role to training packages in innovation and emerging industries (Schofield & McDonald 2004, p. 26).

In the meantime, the National Training Quality Council (NTQC) had replaced the Australian Training Framework Committee (with much the same remit and representation). The *Training package development handbook*, released in 2003, set out guidelines for training package endorsed components (such as the performance standards, assessment guidelines and qualifications) and also for the non-endorsed components (information to assist providers with implementation). The handbook went through several versions until it was replaced in 2012 by the *Standards for training packages* and accompanying policies for their development and endorsement.

The landmark publication commissioned by ANTA – *Moving on: report of the high level review of training packages* (Schofield & McDonald 2004) – re-affirmed the ‘labour market and educational value of industry-developed statements describing performance expected in the workplace and of industry-developed, nationally recognised portable qualifications linked to the AQF’ (Schofield & McDonald 2004, p.3). However, the report found that ‘drastic’ changes were needed to ‘the ways in which training packages are conceptualised, developed and implemented’ (Schofield & McDonald 2004, p.4). The solutions put forward involved better design and streamlined processes and products with less emphasis on ‘rules’.

The reviewers were particularly critical of the tendency of certain state training authorities to hold up processes toward endorsement (Schofield & McDonald 2004, p.17). Schofield and McDonald (2004) again drew attention to the dependence between training packages and the delivery and assessment of training, calling for a capacity-building approach to learning, teaching and assessment rather than a compliance approach, then currently perceived to prevail in the standards.

The National Training Quality Council had earlier begun work on developing a refreshed set of standards for registered training organisations based more on the concept of quality than on minimum and prescriptive standards. These standards for registered training organisations became the Australian Quality Training Framework. This framework was reviewed and amended many times throughout the decade (2001, 2005, 2007 and 2010). The final version (approved by the Ministerial Council for Tertiary Education and Employment [MCTEE] in 2010) comprised the essential conditions and standards for initial/continuing registration; quality indicators; standards for state and territory registering bodies; and excellence criteria. The key features of Australian Quality Training Framework 2010 were a focus on nationally consistent, streamlined and transparent outcomes (National Advisory for Tertiary Education, Skills and Employment – National Quality Council website; National Skills Standards Council website; Australian Quality Training Framework 2010).

Following the closure of ANTA in 2005, the National Quality Council (NQC), a committee of the relevant Ministerial Council, replaced the National Training Quality Committee. The

National Quality Council oversaw quality assurance and national consistency in the application of Australian Quality Training Framework audits; the registration processes for training providers (then carried out by jurisdictional authorities); and it endorsed training packages and accredited courses. The National Quality Council also advised government on the functioning and support of the national training system.

During the late 2000s and into the early 2010s, a new design approach for training packages, presaged in *Moving on* (Schofield & McDonald 2004), was undertaken by the National Quality Council. From 2011 its successor, the National Skills Standards Council (NSSC), undertook this role.

To guide their consistent development and endorsement, the Standards for Training Packages were endorsed by the Council of Australian Governments Standing Council on Tertiary Education, Skills and Employment (SCOTESE) in 2012 with accompanying policies for development and endorsement agreed to by the National Skills Standards Council. The new model clearly separated performance standards and essential requirements for endorsement from guidance and supporting information for VET providers (in companion documents) to make them more fit for purpose (National Quality Council 2010). All training packages are required to meet the standards by the end of 2015.¹³

The 20-year evolution of competency-based training through nationally endorsed industry training packages challenged and changed educational practice. It took some time to settle. Educational practices and approaches remain flexible, as does the way the student develops the skills and knowledge to achieve competency as specified within training packages. However, RTO competency and generic skills assessment remain areas of concern across the system.¹⁴ While critiques of, and frustration with, training packages persist, they are now accepted as an integral part of the system. One of the early critics commented that:

Overall it is probably fair to say that the initial rigour of the training reform version of competency-based training has abated with experience, and there has been considerable seepage of the educational culture into training packages ... as employers have always insisted on the importance of generic as well as vocational skills in assessing employability. (Ryan 2011, p.17)

VET provider standards

With standards for training packages in place, and increasingly contestable public funding approaches on the horizon, the focus shifted to the quality of the registered training organisations that delivered them. By the late 2000s it was becoming clear that a new approach was needed for a range of reasons,¹⁵ particularly in light of the attention on poor-quality provision and outcomes for students, which was eroding public trust in vocational

¹³ A contemporary definition of competency was also introduced around this time: 'consistent application of knowledge and skill to the standard of performance required in the workplace. It embodies the ability to transfer and apply skills and knowledge to new situations and environments' (National Quality Council 2010).

¹⁴ The recent Standards for RTOs 2015 have a stronger focus on assessment.

¹⁵ *The future of VET: a medley of views* published by NCVET (Beddie & Curtin [eds] 2010), explores in depth the contemporary issues and solutions as seen by the contributors. Also *Competition in the training market* (Karmel, Beddie & Dawe [eds] 2008) includes six essays on competition in the Australian training market with six responses to the essays.

education and training. The National Skills Standards Council in 2013 saw three contributing factors for this: inconsistent quality of training and assessment by registered training organisations; lack of comparable and reliable public information regarding an RTO and its performance; and significant diversification, growth and change in the provision of VET. The National Skills Standards Council stated:

In particular the regulatory framework needs to be updated to reduce unnecessary regulation and reflect the move towards various forms of learning entitlements and subsidies and extensive and growing competition across the diverse provider cohort.

(National Skills Standards Council 2013, p.10)

The federal Rudd/Gillard Labor government came to power in 2008 with a strong set of policies on tertiary education. It initiated a fresh compact on vocational education and training, as well as several major reviews.¹⁶ The Council of Australian Governments' National Partnership Agreement for Skills and Workforce Development (2009a) set out nationally agreed high-level objectives, responsibilities, architecture and funding arrangements for the system.¹⁷

John Dawkins, the initial promulgator of the National Training Reform Agenda, reappeared as the Chair of the National Quality Council, the National Skills Standards Council and the Australian Qualifications Framework Council. He acknowledged in a speech to the TAFE Directors Australia conference in 2010 that 'current policy reforms in VET were multiple, multifaceted and ambitious'. He added that:

the reforms were within a human capital agenda and that there is a need for VET products that are suitable for a client driven system and are flexible and responsive to the changing needs of employers, individuals and workplaces. (Dawkins 2010)

The National Skills Standards Council, while having the same responsibilities as its predecessors, was now composed largely of experts rather than representatives of industry and jurisdictions. By this time the sector was described as 'large, diverse and complex' with around 5000 registered training organisations,¹⁸ approximately 1.8 million publicly funded students, an estimated 1.2 million privately funded students, and approximately 3300 nationally recognised VET qualifications (National Skills Standards Council 2012a, p.8).¹⁹

¹⁶ The Bradley Review (Bradley et al. 2008) of higher education, for example, reiterated the perennial issues of portability and pathways between the tertiary education sectors.

¹⁷ See the appendix.

¹⁸ Described as 60 large TAFE institutes with many thousands of learners and qualifications on scope; providers registered to offer both vocational and higher education qualifications (approximately 90); large private training colleges providing a broad range of training; very small private colleges focused on niche industry and learner needs; community colleges; not-for-profit organisations; enterprises delivering training and assessment to its employers; and secondary schools (National Skills Standard Council 2012b, p.2)

¹⁹ Including 59 due to training package amalgamations but there are more qualifications within each of them (some never used and some units never used either) and around 1600 accredited courses developed to meet needs not covered by training packages (National Skills Standards Council 2012b, p.3). Also see Misko (2011).

Standards for products and providers: the current state of play

Around 2010²⁰ several concurrent reforms in relation to frameworks for VET products and providers were brought to fruition or initiated. These included:

- a strengthened Australian Qualifications Framework, with an added taxonomy for defining the levels of qualifications, updates to the specifications for the types of qualifications available, and integrated policies aimed at facilitating pathways between commencing and completing a qualification. This was approved by the Council of Australian Governments in late 2011 with a final implementation date of 2015. The framework underpins the national consistency and recognition of all Australian qualifications across the tertiary system and is a key reference for training package standards
- standards for training packages that refined the structure of training packages into the basic elements (for endorsement) with any guidance to inform their implementation in companion volumes. These were endorsed by Standing Council for Tertiary Education, Skills and Employment (SCOTESE) in 2012 with an implementation date of 2015
- the establishment of a National VET Regulator (NVR), the Australian Skills Quality Authority (ASQA), through the *National VET Regulator Act 2011*. Six states and territories have since transferred regulatory powers to the authority, which also regulates any registered training organisation in Victoria or Western Australia offering courses to overseas students or in the other referring states.²¹ The regulatory approach taken by the authority is based on risk assessment. The Australian Skills Quality Authority's functions include: registration of providers; accreditation of VET courses, including carrying out compliance audits under the NVR Act 2011 and the VET Quality Framework. The set of NVR standards are legislative instruments
- a wide-ranging review of standards for the regulation of VET was begun by the National Skills Standards Council in 2011. The scope of the review included standards for registered training organisations, and also for registering and course accrediting bodies.²²

Following extensive and protracted consultation and redrafting – and a change of government in late 2013 – the Standards for Registered Training Organisations (RTOs) 2015 and the Standards for VET Regulators 2015 were approved by ministers and released in November 2014 for implementation from 2015.

The new standards renew the focus on student outcomes – moving away from the quality of the RTO administrative and business process model of the Australian Quality Training Framework. There are six standards under three broad headings: training and assessment;

²⁰ In 2010 the VET system comprised close to 5000 RTOs including 170 government-owned institutions, around 500 community-based adult education centres and some 2200 delivering privately funded training only and 2100 that are mostly privately owned and deliver a mix of privately funded and publically subsidised training (Department of the Prime Minister and Cabinet 2012, p.9).

²¹ Because of these arrangements two 'national' registration frameworks (AQTF 2010 and the NVR Standards 2012) currently co-exist although there is no substantive difference between them.

²² A set of key issues based on stakeholder views focused the review of provider standards as follows: the purpose of the standards; quality of training and assessment; engagement with industry; reducing unnecessary regulatory duplication; responsive regulation; consistent interpretation and implementation of the standards; transparency of the sector (National Skills Standards Council 2012a, p.4).

obligations to learners and clients; and RTO governance and administration, and a series of schedules containing the more prescriptive and time-bounded aspects of the standards. Notably, the standard on assessment (a key feature of a competency-based system) has been considerably strengthened, with the principles of assessment and the rules of evidence embedded within Standard 1 (Commonwealth of Australia 2014) and with an increased focus on the validation of assessment outcomes. In addition, the minimum qualification requirements for those who deliver and assess training have been strengthened. Some measures are responding to consistent and continuing critique from industry and researchers that assessment practices and employment-related student outcomes have been less than ideal (National Skills Standards Council 2013).

In early 2014, under the recently elected Coalition Government, the governance structures of the Council of Australian Governments were revised. The COAG Industry and Skills Council, comprising Commonwealth, state and territory ministers with responsibility for industry and skills, was formed and the National Skills Standards Council disbanded. The functions of the latter have largely been transferred to the Australian Industry and Skills Committee. The COAG Industry and Skills Council is made up of an industry member nominated by each state and territory and the Commonwealth, an industry peak body representative and two ex-officio senior government officials (Department of Industry 2015). It is notable that the membership is entirely industry employers, with no explicit employee or public/consumer or educational representation. Notwithstanding this, individual members may have had such experience in a range of other roles.

In broad terms, the role of the Australian Industry and Skills Council is to provide effective industry leadership to the sector, ensuring that employers are central to advice to government on strategies to lift the quality and relevance of training. The committee will oversee qualifications and training product development; provide advice to governments on VET policy; and give industry a stronger voice in the VET system. It is said to replace 13 committees and advisory bodies.

In 2014 attention was again directed to improving training products. The Commonwealth Department of Industry, responding to directions from the Council of Australian Governments Industry and Skills Council, announced two concurrent reviews related to national training products.

In mid-2015, following extensive stakeholder consultation, new contestable arrangements for the development of training products were announced, to be fully operational from January 2016.²³ The minister's announcement situates the new model within the objectives of the national training system as follows:

To improve responsiveness and flexibility in the system, the new model places industry at the centre of training product development through industry reference committees, which will be overseen by the industry-led Australian Industry and Skills Committee. Industry will be at the heart of arrangements and will be supported by independent,

²³ A factsheet detailing the proposed arrangements can be found at:
<http://docs.education.gov.au/system/files/doc/other/ed15-0079_contestable_model_quality_and_regulation_comms_pack_factsheet_acc.pdf>.

professional skills service organisations which will be established through an open competitive grants process. (Department of Industry 2015)

A concurrent comprehensive review of training packages and accredited courses is well underway, with advice anticipated to be provided to the COAG Industry and Skills Council at its next meeting in the second half of 2015.²⁴ There is interest in moving away from narrowly defined job competencies to a concept of broader vocational streams, with commissioned research on the topic making a case for change (Wheelahan, Buchanan & Yu 2015). It remains to be seen what new models may emerge.

Concluding remarks

Looking back, the National Skills Standards Council summed up the journey from the National Framework for the Recognition of Training to the proposed Licensed Training Organisation (LTO) Standards in 2013²⁵ as follows:

The history of the standards for the regulation of vocational education and training since the early 1990s illustrates how the key features of these initial regulatory and quality frameworks have endured. It also shows that the regulatory system has responded to prevailing policy concerns and perceptions of risk, and moved between being primarily a recognition system with certain prescriptions, to a system adopting an outcomes-based and continuous improvement approach, and reverting back to a system favouring compliance. (National Skills Standards Council 2013, p.7)

In terms of standards it is consistency that has been the dominant driver. The overarching principle has been to have a system based on national industry competency standards delivered by providers who adhere to national standards of delivery and assessment.

The current objectives for reform of the VET system as enunciated by the new Council of Australian Governments' Industry and Skills Council in 2014 reflect the need to also incorporate flexibility:

- a national VET system which is governed effectively, with clear roles and responsibilities for industry, the Commonwealth and the states and territories
- a national system of streamlined industry-defined qualifications that is able to respond flexibly to major national and state priorities and emerging areas of skills need
- trade apprenticeships that are appropriately valued and used as a career pathway
- a modern and responsive national regulatory system that applies a risk management approach and supports a competitive, well-functioning market
- informed consumers who have access to the information they need to make choices about providers and training that meets their needs
- targeted and efficient government funding that considers inconsistencies between jurisdictions or disruption to the fee-for-service market.

²⁴ More information can be found at: <<http://www.vetreform.industry.gov.au/comprehensive-review-training-packages-and-accredited-courses>>.

²⁵ These statements accompanied the proposed Standards for licensed training organisations that were not accepted in their entirety and were reframed for further consultation in 2013–14. The recently endorsed Standards for RTOs (2015) were released in late 2014 and largely retained the design principles of the LTO standards.

The development of a training market – the other element of the original national training reform agenda in the early 1990s – is now woven through several of these latest objectives.

National training market development

The development of a national training market was a component of the National Training Reform Agenda of the late 1980s (Dawkins 1989). It was formally incorporated into the National Goals for Vocational Education and Training in 1992 (Department of Employment, Education, and Training 1992) and has been an enduring and maturing element since that time.

Rationale

Until the early 1990s the institutes of TAFE delivered the vast majority of publicly funded and accredited vocational education and training. The new idea was to introduce contestable funding arrangements into the publicly funded VET system and thereby create a 'training market' in which both public and private providers potentially had access to public funding.

The prevalent view in the early days was that training market development was just about competition. Writing to the Prime Minister, Paul Keating, in 1996, Rae Taylor, who undertook a review of ANTA, noted:

The impression I gained in reading some of the submissions [to the ANTA Agreement review of 1995] was that competition was seen as an objective in its own right.

Competition is not the end objective, but a useful tool for stimulating efficiency in public sector reform ... the other part of the equation is empowering the public authority [TAFE] to compete with equal vigour.

(Taylor 1996)

A new way of thinking was emerging, which was variously described as economic rationalism, managerialism and neoliberalism (Ryan 2011).

In Australia, the then Labor Government was pursuing this way of thinking. It went on to establish a National Competition Policy in July 1995. The policy principle was that government businesses should not enjoy any net competitive advantage simply as a result of their public sector ownership. The development of a training market in VET was an enactment of this broader policy, with the end purpose of achieving the most efficient and effective provision of publicly funded VET.

Also influential was the Committee of Inquiry into the Training Costs of Award Restructuring of 1990, known as the Deveson Report (Deveson 1990). The committee had argued that vocational education and training should no longer be regarded as a community service (as in the Kangan era) but a training market with more scope for fee setting and greater competition. Deveson posited that market-type competition would result in greater diversity of choice, efficiency, responsiveness and quality (than the prevailing model of state-centralised planning and financing) without adverse effects on access and equity. This was accepted by ANTA, which made similar claims in its consultation paper of 1996 (ANTA 1996).

While initially the emphasis on developing a training market was on the supply-side considerations of competition and public VET efficiency, a richer concept of the training market began to emerge. A review of the national VET reforms undertaken for ANTA in 1994

(Allen Consulting 1994) had suggested a shift in the focus to demand and the encouragement of more direct relationships between the providers of training and their consumers – enterprises or individuals. This was seen as the ultimate means of ensuring provider responsiveness and effective VET. Empowering consumers, it was argued, would send clear signals for faster, more extensive supply-side reform. The suggested training market strategy had three parts: significantly strengthen the demand side; continue to push reforms to the supply side; and establish clear roles for government in the training market. ANTA adopted this approach in its consultation paper on developing the training market of the future, released in November 1996 (ANTA 1996).

The opening of the training market has not gone uncontested. In 2009 the National Centre for Vocational Education Research held a roundtable and commissioned six essays (each of which had a discussant) designed to contribute to debate on the issue of competition in training, in an effort to 'lift the fog that shrouds market design in VET'. The roundtable revealed that:

the participants in this exercise do not entirely agree with each other. But there is a general acknowledgement that the risks associated with the state determining the supply and demand for training mean that governments cannot retreat from the training market. However, the role of the state, relative to that of individuals and employers, is contentious. (Karmel, Beddie & Dawe 2009, p.3).

The role of the public provider (TAFE) in a training market has also been a matter of continuing debate, particularly in the lead-up to the introduction of student training entitlements nationally. Skills Australia, in its advice to governments of 2011, in *Skills for prosperity – a roadmap for vocational education and training*, recommended:

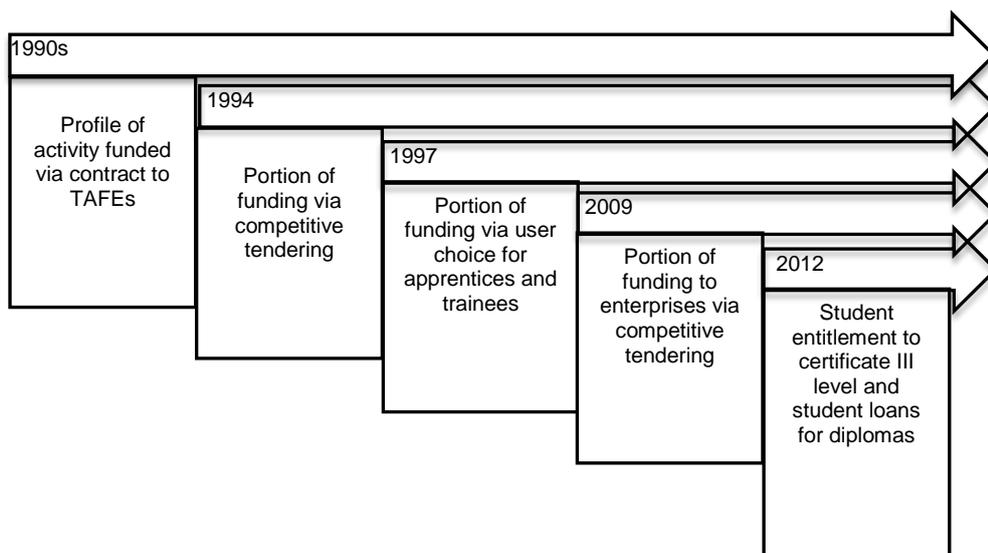
that Australian governments ... in introducing the entitlement funding model, agree to maintenance by state and territory governments of core base funding to enable public providers to fulfil a public good role that cannot be achieved through market-based arrangements. Such funding must be subject to clear performance outcomes and reform accountabilities, including greater flexibility in governance arrangements (p.13).

TAFE Directors Australia (TDA) also made a case in 2011 for a national charter for TAFE to be agreed by ministers as part of the next National Partnership Agreement on Skills Reform (of 2012–16). In its positioning paper TAFE Directors Australia noted that each state had a different framework and base funding arrangement for TAFE that were starting to look ever more divergent and fragmented. TAFE Directors Australia recognised the prerogative of each jurisdiction to determine its policy approach to TAFE but saw benefits in greater national consistency. This would produce 'a more coherent system and avoid uncertainty for TAFE providers about governments' intentions for them' (TAFE Directors Australia 2011, p.3). Importantly, the paper asked for recognition of the TAFE sector's role in ensuring 'the maintenance of critical programs and services that would be at grave risk if left entirely to market forces' (p.4). A national charter for TAFE did not come about.

Specific funding initiatives

Figure 3 provides an overview of the contestable public funding initiatives introduced since the early 1990s. Altogether four major initiatives have been implemented, each adding to what existed before. The development of a training market required other underpinnings. These are discussed below.

Figure 3 Overview of funding initiatives taken to create a national training market



Starting point

As already indicated, in the early 1990s the vast majority of public funding for training delivery (infrastructure and 'operations') went directly to the TAFE systems, largely in block grants. These were based on historical enrolments and on profiles of VET activity developed on advice about VET skills demand from stakeholders (comprising providers, government, unions and employers). Some TAFE institutes had experience of competing with private providers for predominantly privately funded training but TAFE fee-for-service delivery overall was still small (Goozee 2001, p.78).

Competitive tendering

In 1994 competitive tendering was introduced. TAFEs and private registered training organisations could bid for the delivery of identified portions of publicly funded training. The successful bidder had to meet certain criteria, including cost, quality, service standards and outcomes. Tendered funding aimed to widen the choice of provider and encourage TAFE systems to position themselves on a more commercial footing and compete openly with other providers for clients.

Between 1994 and 1997 the Commonwealth provided significant growth funds to the VET sector (\$70 million annually) in return for the states and territories maintaining their levels of VET funding. Competitive tendering was often limited to within the growth funds, meaning that the level of funding for TAFEs and their profile of training were not affected. The extent and pace of the introduction of competitive tendering varied between the states and territories, but generally remained limited to a small proportion of the total government funds, with disbursement related to skills needs and government priorities. Competitive tendering sometimes extended to preferred supplier arrangements, with contracts awarded to successful providers on a longer-term basis (Productivity Commission 2008, section 5.12).

User choice

User choice funding arrangements were introduced nationally from 1998 but were limited to the apprenticeship and traineeship component of the VET system. Under user choice the client (employers and their apprentices/trainees) choose their training provider and

negotiate key aspects of the training. The purpose of user choice is to drive responsiveness in the training system by creating direct relationships between clients and training organisations. User choice funding was a major conceptual shift, from governments' planning and purchasing training places to employers and their apprentices choosing their training place.

The introduction of user choice involved a range of pilot projects in 1996 and 1997. Evaluations of these pilots informed the eventual design of the arrangements and led to the endorsement by the Ministerial Council in May 1997 of nine principles to guide the implementation of user choice nationally (Selby Smith & Ferrier 2001).

The user choice principles were an aspect of the Statement on User Choice Policy endorsed by ministers in May 1997. The statement also contained sections on the objective, definitions and the operation of user choice. The principles, which underpin the implementation of user choice in New Apprenticeships from January 1998 (including the amendments made in 2000) are:

- Clients are able to negotiate their publicly funded training needs, subject to state and territory decisions regarding the resourcing of New Apprenticeships.
- Clients have the right of choice of registered provider and negotiations will cover choice over specific aspects of training.
- User choice operates in a national training market not limited by state and territory boundaries. Therefore, registered training organisations will not be discriminated against under user choice on the basis of their location of primary registration.
- The provision of accurate and timely information about training options is necessary for informed choice.
- Pricing of training programs by state/territory training authorities should be based on clearly identified state/territory unit costs benchmarks. Unit costs set for efficient provision may be increased by including a loading for access and equity reasons.
- Training over and above that which is essential to the qualification outcome for the apprentice or trainee, and is above that which is funded publicly, can be negotiated and purchased by the client.
- User choice would be harnessed to improve access and equity in the VET system and be integrated within existing initiatives.
- Regulatory frameworks and administrative arrangements relating to vocational education and training at the national, state and territory level are to be complementary to the achievement of the objectives of user choice.
- Evaluation of outcomes of user choice against objectives is an integral element of a program of continuous improvement. Innovation is required to achieve and maintain a best practice training system.

(Anderson 2006, p.226)

Impacts of competitive tendering and user choice

All early evaluations of user choice were broadly supportive. They found it had promoted a stronger focus on client service, and greater responsiveness, flexibility and innovation (KPMG 1999; Schofield 1999, 2000). However, these evaluations also highlighted areas of concern and made recommendations for system improvements, particularly in relation to

the quality of training. The response was extensive national work to strengthen the quality framework for VET throughout Australia (see Quality frameworks for VET providers section).

Although guidelines and implementation arrangements were nationally agreed in 1997, the extent and pace of the introduction of user choice varied between states and territories.²⁶ Selby Smith and Ferrier (2001) found there were some significant differences in practice between states and territories in relation to all user choice principles. These researchers recommended additional effort in developing consistency, especially in: providing information to support choice and decreasing restrictions on choice; providing equity support; pricing and costings; and quality and continuous improvement (Selby Smith & Ferrier 2001, p.21).

Five years on, Anderson (2006) undertook a thorough analysis of competitive tendering and user choice. One of the challenges faced by Anderson in developing his analysis was 'to discover the purposes intended to be achieved by market-based policies' (Ryan 2011, p.19). Anderson used the intermediate objectives of the national VET system (identified on p.16 of this report) to gauge performance. On the weight of the available evidence, the outcomes appeared to be positive in relation to choice, diversity and responsiveness to medium and large enterprises and fee-paying students, while flexibility and innovation were poor in relation to responsiveness to small enterprises, local communities in thin markets and government-funded students, quality, access and equity, and efficiency (the latter due largely to high transaction costs and complexity). The lack of a significant focus on access and equity in competitive tendering and user choice was also highlighted in a 2011 report on competitive tendering and contestable funding in vocational education and training (Allen Consulting Group 2011).

An interlude

For the ten years from 1998, public funding was a combination of profile, competitive tendering and user choice arrangements. In 2005, Adams recorded the split between the three types of resource allocation mechanisms to be: general profile delivery (70–80%); competitive funding (5–10%); and user choice (10–20%). Adams also found that:

while there are different organisational and structural arrangements and relationships between state training authorities, training departments and the training providers across the states and territories, the overall conclusion is that their basic policies, principles and practices for financial resources needs determination, allocation and management are nevertheless largely consistent. (Adams 2005, p.26)

There were also some reports at this time comparing relevant aspects of the Australian system with similar countries (Cully et al. 2009; Keating 2008; European Training Foundation 2012). These reports noted that Australia has a major strength in its highly integrated model of national skills standards and national framework for awarding qualifications. However, there were weaknesses in terms of matching supply and demand in VET, including limitations in the capacity of the sector to be demand-responsive and innovative. An additional weakness identified by Keating was the limited impact of market principles across the sector (Keating 2008, pp.7–8).

²⁶ NSW never did sign up to user choice officially but implemented it any way.

Co-enterprise and public funding

It was from 2009 that another type of contestable funding arrangement was introduced under the National Partnership Agreement Productivity Places Program. This program was aimed at reducing skills shortages and increasing the productivity of industry and enterprises. The existing worker component of the program required funding of 50% by the Commonwealth, 40% by the state and 10% by enterprise. The program was soon replaced, before its impacts were measured, by the Enterprise-Based Productivity Places Program (EBPPP). However, an Allen Consulting Group mid-term review in November 2010 of the National Partnership Agreement for the Productivity Places Program identified many of the issues we have come across in terms of balancing local with national needs when allocating training places. The Enterprise-Based Productivity Places Program and then the Critical Investment Program (CIP) continued the co-enterprise and public funding model. They were designed to leverage Commonwealth Government spending and encourage greater financial and other contributions from employers.

The next initiative, the National Workforce Development Fund (2011–12), boosted the levels of public funding available to employers to upskill their existing workers. Access to the fund was via a competitive application process through the relevant national industry skills council. It required the enterprise(s) to have a workforce development plan showing that the proposed training was aligned to the company's long-term workforce development needs.

The latest version of the Commonwealth co-enterprise and public funding arrangement is the Industry Skills Fund. It commenced in 2015 to support the Coalition Government's national industry investment and competitiveness agenda (Australian Department of Industry 2014). It is smaller in scale than the National Workforce Development Fund and closely aligned with priorities in industry restructuring. It aims to assist industry to invest in training and support services and develop innovative training solutions.

Some states have their own enterprise co-contribution funding programs, which provide them with the flexibility to focus on state priorities.

National Training Entitlement (to at least a first certificate III)

In response to the Global Financial Crisis, in 2009 the Council of Australian Governments agreed to implement two forms of training entitlement through the Compact with Young Australians (Council of Australian Governments 2009b) and the Compact with Retrenched Workers (Council of Australian Governments 2009c). The Compact with Young Australians entitled young people aged 15–19 years to an education or training place for any government-subsidised qualification, and people aged 20–24 years to an education and training place for any government-subsidised qualification that would result in the individual attaining a higher qualification (both subject to admission requirements and course availability). The Compact with Retrenched Workers entitled workers aged 25 years and over to a training place for a government-subsidised VET qualification that would result in the individual achieving a higher qualification.

Following these initiatives, in 2012, the Council of Australian Governments agreed to a fourth contestable type of funding arrangement as part of the National Partnership Agreement on Skills Reform – a national (minimum) training entitlement for students

(Council of Australian Governments 2012). This entitlement offers government-subsided training places to a minimum of the first certificate III qualification for those working Australians who do not have a qualification to this level. The entitlement can be delivered by any registered training organisation approved by the jurisdiction to do so. While the national training entitlement agreement has these essential criteria, it allows for variability in its detailed design and implementation 'in recognition', with the agreement stating enigmatically 'that the jurisdictions are at different starting points and have different reform destinations' (Council of Australian Governments 2012 Clause 28(a) and Schedule 3).

The objective of the national training entitlement is to improve participation and attainment in VET by those less skilled and thereby achieve better access and equity in the system (Council of Australian Governments 2012). Certificate III is the first level of post-school qualification demonstrated to have a positive impact on a person's employment and earnings (Stanwick 2005). In some industries, it is emerging as the minimum qualification needed for entry-level jobs. The then Skills Australia predicted that a certificate III is the first level of post-school education required to grow to meet skills demand to position Australia to compete globally (Skills Australia 2011, p.21).

Student loans

At the time the national training entitlement was agreed, it was also agreed that income-contingent loans (VET FEE-HELP) would be available through the Commonwealth for eligible (Commonwealth-determined) diploma and advanced diploma VET students²⁷ studying at a Commonwealth-approved registered training organisation. This was to reduce upfront costs and promote upskilling and achievement of higher-level VET qualifications (Council of Australian Governments 2012).

Income-contingent loans have been available in the higher education sector since 1989 (as HECS and later FEE-HELP). These types of Commonwealth Government loans enable students to defer course fee payments until they reach a certain income threshold, at which time the loan is then gradually paid off through the income tax system. Eligibility requirements for VET FEE-HELP are national and relatively straightforward. Students may select any course from a Commonwealth-approved VET FEE-HELP provider. A state entitlement subsidy, depending on student and course eligibility, may be used to offset the full student fee.

Noonan and Pilcher (2015) have argued for a new and equitable financing framework for tertiary education. They propose a single integrated student entitlement across Australia's tertiary education system (p.v). They suggest a framework in which the Commonwealth funds all sub-degree and degree-level qualifications regardless of sector and provides income-contingent loans and income support on a needs basis. The states/territories would fund certificates III and IV (delivered at a tertiary level rather than in school), as well as certificates I and II, which they see as preparatory qualifications and outside the tertiary entitlement (p.v). In making their case, Noonan and Pilcher (2015) draw attention to the wide variation in student eligibility and the kinds of qualifications covered in the jurisdictions' VET student entitlements compared with the higher education sector. In

²⁷ VET FEE-HELP is also being trialled for selected certificate IV qualifications in some states.

higher education, access to a student entitlement comes through a demand-based funding system, which essentially guarantees a place and an income-contingent loan to all qualified applicants, wherever they live in Australia (p.5).

Lessons from early versions of student entitlement funding

Two jurisdictions implemented a student training entitlement ahead of the National Partnership Agreement on Skills Reform 2012–16: Victoria in 2009 (Victorian Training Guarantee [VTG] July 2009 to January 2011) and South Australia (Skills for All) implemented from early 2012. These were pilots in training entitlement funding, from which they and other states and territories drew lessons. These early versions of student entitlement funding were expansive in terms of who was eligible and the number of training places available, in effect offering students training guarantees. Eligible students were able to choose their course from any approved registered training organisation, public or private. Turbulence resulted. Large increases in VET enrolments and participation in upskilling occurred, as both states had, at least in the first years, intended. However, there were also some unintended consequences of these fully demand-driven student training entitlement models.

In Victoria the unintended consequences included:

- *Substantial budget overruns as student demand and places outpaced the available budgets:* before the introduction of entitlement funding the Victorian Government spent about \$800 million per annum on training subsidies. The introduction of entitlement funding was expected to result in a modest increase in these expenditure levels to about \$900 million each year, but in the 2011–12 financial year expenditure exceeded \$1.3 billion – an increase of around 45% (Victorian Department of Education and Early Childhood Development 2012). Likewise, enrolments grew rapidly between 2008 and 2011, and reached what the Victorian Government described as ‘unsustainable levels’, with a lack of focus in some cases (Victorian Department of Education and Early Childhood Development 2012).
 - The amount of funding available has traditionally governed the publicly funded VET system, not the level of demand. Under a fully demand-driven model, the government cannot directly control the volume of students flowing into the system, and therefore cannot control the call on government funds.
- *Strong growth in some areas of training, which was misaligned with the skills needs of businesses:* this put at risk the vocational outcomes for students and contradicted the public-value or benefit principle for government funding decisions. Indeed, there was excessive training in some industry sectors deemed to be of lower vocational benefit. Confirming this, Service Skills Australia (2014, p.13) reported that between 2010 and 2012 enrolments in service skills qualifications increased by 40.6% in Victoria, whereas the increase across all other states and territories for the same period was 3.6% (Guthrie et al. 2014, p.37). At the same time, some industries still reported ‘persistent skill shortages and a lack of take up of training places’ (Victorian Department of Education and Early Childhood Development 2012, p.4).
 - The principle of public-value funding is that government investment in vocational training should reflect demand for skills in particular industries or occupations that will produce employment outcomes and which are of strategic importance to the state. If left largely to the decisions of individuals, training providers and enterprises,

- the state investment could lead to skills shortages in the medium-to-longer term, or a mismatch between the skills available in the labour force and the skills required by industry and enterprises. These effects could lead to unemployment and under-competitiveness of firms in the longer term as undesirable consequences.
- *Emerging quality concerns that undermined public confidence in vocational training:* this was a result of the involvement of a small minority of providers that did not aspire to deliver high-quality training (Victorian Department of Education and Early Childhood Development 2012). Indeed, quality was raised repeatedly during the consultations for the Victorian Essential Services Commission’s VET Fee and Funding Review of 2011 (2011a, 2011b). Concerns were expressed about the quality of teaching and training; course content, design and delivery; and student outcomes.
 - The Victorian Essential Services Commission noted that the then upfront-focused regulatory framework (at both the state and national levels) was based on the premise that, if the operational policies and procedures of training providers were approved and audited, then good-quality outcomes would follow. The commission suggested that transparency about such quality parameters was essential in a competitive, market-based system for delivering VET services (Essential Services Commission 2011a, p.17). The Victorian Auditor-General (2010) supported this view in its review of the Victorian Registration and Qualifications Authority (VRQA), tabled in Parliament on 7 October 2010. It stated that VRQA and the quality of its processes were ‘pivotal to the maintenance of quality and standards’ (Victorian Auditor-General 2010, p.vii) but that the VRQA could not reliably assure that it had effectively regulated VET providers (Victorian Auditor-General 2010, p.17).
- *Training increasingly occurring outside the public providers (TAFEs) between 2009 and 2012:* this combined, with the TAFEs’ loss of funding to cover ‘obligations as a public provider’ from 2012, caused a financial crisis with widespread job losses, course cuts and campus and facility downgrades, especially in regional areas (Noonan 2014).
 - TAFEs have a public role that often means offering a wide range of courses even when there is low demand; maintaining campuses and opening new campuses in areas of high population growth; enrolling students from diverse education and socio-economic backgrounds; providing specialist training in niche industry areas, providing counselling and library services, student facilities and meeting specific policy objectives of government; for example, retraining workers in manufacturing industries. Other providers, however, while they may provide some or many of these roles and services can opt in or out of them as they see fit. Most private providers also operate a very low-cost delivery model, offering qualifications that need far less infrastructure and serving demographics who need fewer services (Noonan 2014).
- *Concerns about equity:* the results from early evaluations of the Victorian Training Guarantee showed it could improve access for key equity groups although not to the same extent as for non-equity groups (Leung et al. 2014).
 - Extra support for equity groups is often needed to help them to access VET and achieve good outcomes. VET providers working with these groups need either additional loadings or community service obligation funding.

South Australia commissioned an external evaluation of the progress made on its Skills for All entitlement objectives, covering the first two years (2012–13). The evaluation (ACIL

Allen Consulting 2015) also examined the impacts of contestability and choice on the VET system and the overall cost and efficiency of the initiative. It found:

- The reforms resulted in a 60% increase in enrolments in VET qualifications in 2013 and an expansion of the VET market, with greater choice of course provision delivered through TAFE SA and private registered training organisations.
- VET students in South Australia had a greater choice of providers. Market competition had increased, with market concentration reducing by around 20% between 2012 and 2013. This was largely due to growth in the market share of non-TAFE providers.
- Data suggested an alignment between enrolments and industry demand, but training volume exceeded projected industry requirements in some areas. Stakeholders were concerned that Skills for All-funded VET activity had not always targeted areas with the greatest industry need or employment opportunities – either because enrolments were not sufficient to meet industry needs in some sector, or because enrolments were well in excess of industry needs in other sectors. Caps were introduced to address this issue.
- There was some evidence of school-age students delaying enrolment in VET until they were aged 16 in order to qualify for Skills for All funding.
- Some enterprise registered training organisations reported a four-fold increase in subsidised enrolments, some of which might previously have been provided on a fee-for-service basis.
- The quality of training in South Australia appeared to have been maintained due to the monitoring and enforcement activities of the state government department responsible. These addressed concerns raised in the early rollout of entitlements under Skills for All regarding student churn and inappropriate course delivery methods, such as short tuition hours and limited or no work-based training component. Some stakeholders were still concerned about inappropriate course delivery methods. An analysis of training data showed some courses where the duration appeared to be well below the average. Notwithstanding this, it was generally acknowledged that there were robust provider contract monitoring and quality assurance processes in place to identify, investigate and address such practices.
- The importance of the role of TAFE SA was widely acknowledged, particularly its community service activities, but a more consistent and accepted definition of its precise role(s) and funding model was required.
- Public funding per training hour had fallen by \$1.15 per hour, reinforcing the longer-term trend. The majority of that reduction was due to the shift in overall public subsidy between 2012–13 and 2013–14 from TAFE SA to non-TAFE private providers. This in effect had led to more training places being offered than would otherwise have been the case. Public funding per hour of training is around 2.5 times higher for TAFE SA compared with private registered training organisations. While many private providers suggested that this could allow TAFE SA to set lower tuition fees, an analysis of the training data did not bear this out. While there were instances where TAFE SA fees were lower than private registered training organisations' fees, this was not widespread, with the median private training organisation fees lower than those of TAFE SA fees.

Overall, the external evaluation identified areas that had worked well and those where improvement or further attention was required. The evaluation offered the following lessons or principles to help to inform future design.

- The core design elements of Skills for All in relation to funding that are aligned with greater student and employer choice remain sound. Consideration needs to be given to how student and employer choice can best be met in a tight fiscal environment.
- Employers and industry need to play a strong role to help achieve the appropriate employment outcomes from Skills for All training.
- Training investment should involve co-contributions from students, employers and government.
- The public provider has multiple and key roles that need to be clearly specified.
- Alignment with Commonwealth policies and programs is necessary to avoid cost shifting.
- A training market oriented toward student or enterprise choice requires close monitoring.
- The VET system needs to be both flexible and responsive to adapt to changing needs, but in doing so needs to have streamlined and consistent market settings to give providers and students sufficient planning certainty.
- Communication with students and employers is essential to ensure that training market decisions and design are widely known and understood.

These lessons highlight the persistent challenge in the national training system of balancing consistency and flexibility. Arguably, the development of a training market could not have occurred without rigorous, transparent and quality-assured national processes for developing and accrediting AQF qualifications on the one hand, and for the regulation of the providers and issuers of those qualifications on the other. Not all the work in the quality area had been done when student entitlement and demand-driven funding reforms first commenced in two states (Victoria and South Australia) in the 2009–11 period and followed by the other states post-2012, in accordance with the 2012 National Partnership Agreement on Skills Reform. As the 2012 Commonwealth Government policy document *Skills for all Australians* admitted: 'there is more to do to lift quality as the next wave of reform is implemented' (Department of the Prime Minister and Cabinet 2012, p.12).

Both Victoria and South Australia have made changes on several occasions to their student entitlement models to overcome the issues outlined above. The other jurisdictions have taken heed when developing their entitlement models (see Bowman & McKenna 2016a). Indeed, the adjustments in Victoria and South Australia are perceived to be so extensive, wide-ranging and, in some cases, sudden that they, coupled with systemic changes to another element of the training system, VET products, amount to an issue in their own right. An analysis of service skills provider responses in Guthrie et al. (2014, p.8) gives the registered training organisation perspective:

Service Skills providers of all types have found the present Victorian Government's continual corrective actions have adversely affected one or more of the following: their business viability, the viability of some of their Service Skills programs and the range of Service Skills qualifications they are able to provide, their staffing numbers and expertise and the levels of support services they are able to provide students in need.

Clear key principles for market reform

Taylor, in his 1996 report on the Review of the ANTA Agreement, suggested that key principles be developed for the regulatory framework and the market techniques needed to stimulate competition in vocational education and training. These should be developed and endorsed by all ministers of training and form the basis for reforms implemented by the states and territories. The key principles should be regularly reviewed (Taylor 1996, p.124). No such principles have been developed, except in relation to user choice but, as mentioned previously, the user choice principles have been applied differently by each jurisdiction.

On market design for VET, Karmel (in Karmel, Beddie & Dawe [eds] 2009, p.16) argues for a careful and coherent approach involving the following considerations:

- *Clear goals:* is VET about meeting the needs of individuals or employers? What should be the balance between general education and more narrowly vocational education?
- *Planning:* what is the place of planning? How can this be effective, given our limited ability to forecast skills needs? Should it therefore focus on ensuring that students and employers have adequate information on which to make sound choices about training, rather than determining how many student places should be provided in particular course?
- *A clear basis for government subsidy:* for example, why should mature people be subsidised exactly the same as young people? Here, we need to be more explicit about how we allocate funds between the early, middle and later stages of people's lives.
- *Consideration of the role of public providers:* should they be treated any differently from private providers, and if so, why?
- *A clear basis for regulation:* quality assurance is particularly important because of the nature of training. You cannot feel the quality and width of training before purchasing and reputation is not very useful where there are many small players.
- *Public support for the provision of information about courses and providers:* there should be obligations on accredited providers (noting that providers are free to operate in the unaccredited part of the training market) to provide data to potential students and national data systems.
- *A careful analysis of market-like mechanisms:* including of those that governments have used in the past or might use in the future.

In terms of achieving a balance between consistency and flexibility in the national training system, the design of the market(s) (that is, government intervention in the market, which is what the entitlement models are all about) needs to take account of the role of public funding in ensuring that the right mix and quality of skills are produced to meet industry needs nationally, regionally and locally, as well as assist graduates to obtain jobs and/or move to further learning. This will result in different calibrations of the entitlement across the nation. Nevertheless, national coherence can still be achieved if there are consistent principles for determining eligibility for subsidies and loans, funding levels and the provision of consumer information.

New roles for government

In a more market-based VET system the government role changes from the traditional roles of planner, funder and provider of VET, to that of purchaser of programs and services on behalf of individual students. When competitive tendering was introduced, to avoid a conflict of interest, a separation of the 'purchaser' and 'provider' functions of the government began to be implemented in all jurisdictions – but at uneven rates. With the introduction of 'demand driven' or 'user buys direct from the provider' arrangements, the government's role shifts again – to one mainly of market designer, facilitator and regulator. Table 3 sets out the main forms of government involvement under a demand-driven market-based approach to the national training system.

Table 3 Forms of government involvement in a market-based approach, by objectives of the national training system

Objective	Government involvement in a market-based national training system
Efficient and responsive provision of training	Design and manage a strong market that operates with maximum choice and competition, and enables all participants to pursue their objectives. Where necessary, pursue specific interventions that encourage students, businesses and providers to deliver desired vocational training outcomes (public benefit).
Fair access to training opportunities	Promote and assist access to vocational training by providing additional financial assistance (such as higher subsidies, fee concessions or income-contingent loans) to individuals who face significant financial barriers to participation. Ensure (through subsidy) an adequate supply of places.
Ensure public value or benefit derives from public funding	Invest in vocational training through public subsidy, sharing the cost with private beneficiaries (students and businesses).
Ensure quality training is delivered	Strengthen quality assurance frameworks. Improve availability and quality of training information to support better decision-making.

Source: Victorian Department of Education and Early Childhood Development (2012, table 1, p.4).

Toner (in Guthrie et al. 2014, p.11) highlights some of the issues associated with contracting out public VET funds:

- recognising the difficulty of establishing objective measures of inputs, outputs and quality to advise the government's contracting processes, as well as those using their entitlements and making purchasing decisions, and those charged with assessing and regulating contract compliance
- controlling market entry to ensure that those qualifications which require more minimal investment in human and physical assets, or which yield a high return for minimal investment, are not over-delivered. Allowing only those providers that place an appropriate emphasis on serving the needs of their students, industry and the public good, rather than act solely in their own interests to enter the market
- assuming that students will be rational consumers and will use their entitlement wisely, and not be unduly influenced through inappropriate inducements to undertake a particular qualification
- being clear about the principal client in the purchasing decision to address potential conflicts between the perceived interests of government (as the subsidiser of training), and those of industry or the student as purchaser/contributor and entitlement user
- ensuring strong quality assurance of providers.

To address these issues governments must:

- *Have strong accountability mechanisms:* accountability revolves around the provider, whether public or private, satisfying certain performance criteria, either to maintain registered training organisation status or to fulfil a state's contractual requirements.
- *Monitor quality:* as Skills Australia warned in its recommendation to governments in 2009, 'the national introduction of student and employer demand-based funding should not occur until the quality provisions ... are in place to ensure quality of delivery is reinforced' (Skills Australia 2009, p.10). In 2012, the Productivity Commission anticipated 'that, over time, there would be a gain in moving from a regulated and supply driven system to a demand driven contestable market, *provided quality is maintained* [author's emphasis]' (p.105).
- *Ensure the availability of the information critical to the operation of a demand-driven training market:* individuals and enterprises must know whether the training they are choosing represents value for money and whether the provider they choose can deliver quality training. Providers also need to know individuals' VET history in order to determine their eligibility for entitlements. Information for students might include: completion rates, student satisfaction measures and post-study outcomes. Providers, on the other hand, need to be able to assess the eligibility of students for the VET entitlement by using data on individual students' previous VET achievements. The unique student identifier,²⁸ introduced from 1 January 2015, will make this possible in the future.

That initiatives and safeguards, such as those described above, are required in more market-based VET systems was noted in a 2009 Cedefop publication, *Individual learning accounts*. By 2009, small-scale trials of individual learning accounts were in place across Europe, the USA and Canada. The Cedefop publication provides an extensive review of their implementation and is the only extant review with a broad scope.

²⁸ From 2015, all students enrolled in nationally recognised training must have a unique student identifier (USI). The USI is linked to the National VET Data Collection, meaning an individual's nationally recognised training and qualifications gained anywhere in Australia, from different training organisations, will be kept in the one place (<<http://www.usi.gov.au/Pages/default.aspx>>).



Conclusion

This examination of the development of the national training system has allowed us to articulate the purpose, objectives and key elements of the system by drawing on the many statements made on these matters in the various national VET agreements and national VET strategies developed since 1992. Such articulation may assist in determining the future reforms to be undertaken jointly by the Commonwealth and the states and territories.

Purpose of a national training system

The purpose of developing a national VET system was and continues to be to achieve portability of quality VET skills nationally, to enable individuals with VET skills to benefit from their training anywhere in Australia and, similarly, for enterprises to confidently recruit graduates of VET from across the nation.

Its objectives

Various objectives have also shaped the national VET system. These focus on how the system itself is to operate and they have been consistently used to gauge the performance of the various national training reform initiatives undertaken (Allen Consulting 1994). Our analysis finds that for the past 25 years the following are the objectives that all the initiatives have set out to achieve:

- responsiveness: to industry, individual and community needs so VET skills gained are used
- equity: of access, participation and outcomes for individuals
- quality: in training delivery and learning outcomes
- efficiency and public value: for government-funded VET to be efficiently priced and steered to skills areas that support job outcomes and where this would not be the case if left entirely to enterprises and individuals
- sustainability: by funding the VET system through shared investment by governments (where there is public value), enterprises (private value) and individuals (private value)
- transparency: to enable better understanding of the VET system among clients so they are able to navigate the system and make informed decisions.

Its key elements

The key elements of the national VET system that have been cooperatively and iteratively developed since 1992 by the nine governments of Australia have maintained a focus on achieving the right balance between consistency and flexibility in the system. These elements are:

- *National standards for VET products*: training packages and accredited courses that are competency-based and specify the skills, knowledge and attributes that industry requires of VET graduates. These standards seek to achieve consistent quality training outcomes that are relevant to current and future jobs, but with flexibility over how VET providers deliver the training products and individuals achieve their specified outcomes.

- *National standards for VET products and providers (and registering agencies)*: these are consistent thresholds for provider entry into the nationally recognised training market. These standards seek to assure quality training delivery and outcomes for its students. They build in flexibility for providers who have registered training organisation status to pursue even higher standards so as to differentiate themselves in quality terms.
- These two national standards seek to produce VET qualifications of trusted quality and which are portable nationally. They have, in turn, enabled the development of a training market.
- The reason for developing a training market has been to open up government funding to the full range of registered training organisations, both public and private, to stimulate the efficient allocation of the public training dollar.

The balancing act

Introducing market-based approaches into the Australian training system has been a complex undertaking. How the state and territory governments are managing one element of these reforms, the student training entitlement, is discussed in an associated report: *Jurisdictional approaches to student entitlements: an analysis of commonalities and differences* (Bowman & McKenna 2016a).

Australia's integrated model of national skills standards and a national framework for awarding qualifications are major strengths of the system, but a weakness has been demonstrated as more open-market-oriented funding arrangements have been implemented by the jurisdictions. Lessons from early models of student entitlements show that appropriate adjustments are required in the national standards to maintain consistency of quality outcomes in the national system.

Responsiveness to local, regional and national supply and demand needs for VET skills, as well as equity of access to an entitlement, require approaches and allocations that are sufficient and flexible. Greater national coherence can be achieved in student entitlements if nationally consistent principles are developed for determining eligibility for subsidies and loans, and to aid market design and the provision of consumer information.



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Appendix — Australia's national training system: goals, objectives and key elements 1992 to 2015

Here we record the goals and objectives (and key elements) of the national training system as adopted by all Australian governments since 1992 and set out in major reports, listed below, from which the excerpts have been taken.

1992: Common and agreed goals of training system reform adopted by all Australian governments

- Build a more effective, efficient and collaborative national training system.
- Improve the quality of the system.
- Improve opportunities and outcomes for individuals.
- Improve responsiveness to industry needs.
- Ensure equity within the system.
- Increase public recognition of the value of vocational education and training.

The Allen Consulting Group (Australia) (1994) notes these goals combine social and economic objectives with intermediate objectives for how well the vocational education and training system itself operates (p.2).

1992: ANTA Agreement objectives

These can be summarised as follows:

- a national vocational education and training system, with agreed objectives, priorities, funding, consistent national strategies and a network of providers delivering nationally recognised programs
- a close interaction between industry and VET providers so that the training system operates within a strategic plan that reflects industry needs
- an effective training market with public and private providers
- an efficient network of publicly funded providers
- an increase in opportunities for target groups
- an improvement in cross-sectoral links between schools, higher education and VET.

In reviewing these objectives, the Allen Consulting Group (1994) noted that the national VET system goals and objectives were presented differently in a range of ANTA papers. This possibly reflected developments in thinking on specific issues. The six objectives set out in paragraph one of the ANTA Agreement, which were agreed later in 1992 (as above), were taken to be the definitive statement of objectives for the purposes of the Allen Consulting Group review.

Mission statement for VET and underpinning objectives as expressed in the first national strategy for VET: *A bridge to the future* — 1998—2003

In developing the Australian National Training Authority Agreement, the ANTA Ministerial Council established the following mission and objectives for VET:

Mission statement

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

Objectives

The ANTA Ministerial Council (1998) identified five objectives to underpin the mission statement:

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

Amended ANTA Agreement 1 January 2001 — 30 June 2005

At the heart of the ANTA Agreement, 1 January 2001—30 June 2005, is a commitment by the states, territories and the Commonwealth, in partnership with industry, to work together to increase the participation of Australians in an integrated national vocational education and training system that allows for local diversity. The partners recognise that an effective vocational education and training sector is needed to provide skills to maintain individuals' employability, increase their productivity and improve the competitiveness of enterprises and the nation. The partners give a commitment to national consistency so that individuals and enterprises do not face barriers in undertaking or enjoying the benefits of training when moving between jurisdictions (paragraph 2).

Purpose

This Agreement is intended 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. It aims to create opportunities for all to acquire skills through life, especially for young people and new workforce entrants; to promote employer and individual commitment to invest in skill acquisition; to deliver high quality outcomes relevant to current and emerging labour market needs; and to enable flexible training to be delivered by a wide range of providers that are responsive to their clients.

The purpose of this Agreement is to create the basis for a joint partnership between governments and with industry through the development and refinement of a national vocational education and training (VET) system which will:

- i. build a leadership role for industry in national VET decision-making, planning and advisory processes;
- ii. enhance the National Training Framework through national co-operative action;
- iii. achieve the development of a skilled Australian community, including by working with the school sector to expand vocational education and training opportunities in schools and working with the higher education sector to improve pathways, and expanding apprenticeship and traineeship opportunities;
- iv. increase opportunities and employment outcomes for individuals;
- v. define national priorities and outcomes to guide State and Territory directions in the delivery of VET;
- vi. encourage the development of an effective and competitive training market including through the National Training Framework;
- vii. encourage a training culture in Australian enterprises and throughout the Australian community; and
- viii. improve the efficiency of the provision of VET around Australia.

The underpinning principles to a national approach to VET are:

- i. a spirit of co-operation and a commitment to partnership at a national level by State, Territory and Commonwealth Governments working closely with industry as a key stakeholder;
- ii. a key role for industry in providing leadership and advice, particularly in relation to the ongoing development of the National Training Framework;
- iii. a recognition of the individual needs and characteristics of States and Territories within the context of the need for a national approach to VET;
- iv. promotion of clear, nationally shared objectives and goals for VET;
- v. clearly defined and complementary roles and responsibilities for all stakeholders; and
- vi. transparent and accountable funding arrangements and relationships.

Key objectives

Within the overarching agreed national objectives for VET, namely:

- i. equipping Australians for the world of work
- ii. enhancing mobility in the labour market
- iii. achieving equitable outcomes in VET
- iv. increasing investment in training
- v. maximising the value of public VET expenditure.

Particular objectives for the period of this Agreement are then set out.

2004–10 National VET Strategy

The national strategy sets a vision, four objectives and 12 strategies for vocational education and training at the national level until the end of the decade.

Vision:

- VET works for Australian businesses making businesses internationally competitive.

- VET works for people giving Australians world-class skills and knowledge.
- VET works for communities building inclusive and sustainable communities.

Objectives:

1. Industry will have a highly skilled workforce to support strong performance in the global economy.
2. Employers and individuals will be at the centre of vocational education and training.
3. Communities and regions will be strengthened economically and socially through learning and employment.
4. Indigenous Australians will have skills for viable jobs and their learning culture will be shared.

The 12 strategies addressed:

- servicing the needs of businesses, individuals and communities, flexibly and inclusively
- building the capability and capacity of public and private registered training organisations
- improving the quality, accessibility, responsiveness and reliability of vocational education and training across Australia.

In 2005, ANTA's functions were transferred to the Australian Government Department of Education, Science and Training (DEST) but with the 2004–2010 National VET Strategy remaining as the guide. A Skills Australia Act was introduced to replace ANTA and to relate VET to the industry changes in the then federal Coalition Government's Workchoices Act.

In 2008 the incoming Commonwealth Labor Government introduced the Skills Australia Act, which established a new advisory and research body, Skills Australia, with a mandate to provide advice on skills needs and to suggest new governance arrangements for the national VET system (Ryan 2011, p.16). Through Skills Australia and the Council of Australian Governments' process, the Labor Government developed a new national training agenda, much of which was spelt out in a report *Foundations for the future* (Skills Australia 2009). This influenced the new national agreement on VET of 2009.

2009–11 National Agreement for Skills and Workforce Development

The following excerpts from the National Agreement for Skills and Workforce Development (2009–11) describe the objective and desired outcomes of the agreement.

Objective

A VET system that delivers a productive and highly skilled workforce and which enables all working-age Australians to develop the skills and qualifications needed to participate effectively in the labour market and contribute to Australia's economic future; and supports the achievement of increased rates of workforce participation.

The Agreement will contribute to the following outcomes:

- the skill levels of the working age population are increased to meet the changing needs of the economy
- all working age Australians have the opportunity to develop skills

- training delivers the skills and capabilities needed for improved economic participation for working age Australians

Reform directions

All parties agree this includes the need for reform of the national training system to ensure it delivers the high quality, responsive, equitable and efficient training and training outcomes needed.

The Parties are committed to reforms that aim to create:

- a national training system, accessible to all working age Australians, that provides them with the opportunity to develop the skills and qualifications needed to participate effectively in the labour market.
- a responsive, agile and equitable national training system that meets the needs of industry and students (including those from disadvantaged groups or locations) and provides pathways into, and removes barriers between, schools, adult, vocational and higher education, and employment.
- a high quality national training system that is centred on quality teaching and learning outcomes.
- a national training system where individuals, businesses and jurisdictions have access to transparent information about training products, services and outcomes so they are able to make informed choices and decisions.
- a sustainable national training system with a stable funding base that promotes opportunities for shared investment across governments, enterprises and individuals.
- an efficient national training system, where government efforts appropriately respond to areas of future jobs growth and support the skills needs of Australian industry.
- a national training system that works with Australian businesses and industries to develop, harness and use the skills and abilities of the workforce.

2012–16 National Partnership Agreement for Skills Reform

The following excerpts from the National Partnership Agreement on Skills Reform states the objective of the agreement and describes the desired outcomes and expected milestones.

Objective

A VET system that delivers a productive and highly skilled workforce which contributes to Australia's economic future, and to enable all working age Australians to develop the skills and qualifications needed to participate effectively in the labour market.

Outcomes

- More accessible training for working age Australians and, in particular, a more equitable training system, which provides greater opportunities for participation in education and training;
- A more transparent VET sector, which enables better understanding of the VET activity that is occurring in each jurisdiction;
- A higher quality VET sector, which delivers learning experiences and qualifications that are relevant to individuals, employers and industry;

- A more efficient VET sector, which is responsive to the needs of students, employers and industry.

It was left to the states as to how the detailed outputs would achieve the objectives.

Milestones

The key milestones for 2012 will be:

- the launch of phase one of the My Skills website
- agreement between governments on targets to improve outcomes for disadvantaged students and
- strategies to improve the teaching workforce and support a strong and competitive public training provider network.
- The following two years will see:
 - full implementation of the National Training Entitlement to a certificate III training place
 - full implementation of the unique student identifier and conduct of trials of external validation of assessments.
- The final steps in this plan will see:
 - full implementation of income-contingent loans for higher vocational qualifications,
 - full functionality of the My Skills website, and
 - the widespread application of independent, external assessment of the qualifications offered by providers.

Latest objectives for VET 'reform'

On 3 April 2014 the Hon. Ian Macfarlane, MP, then Minister for Industry, chaired the inaugural meeting of the Council of Australian Governments' Industry and Skills Council, attended by state and territory ministers. Australian government ministers made a commitment to ensuring that industry had the skilled workforce and operating environment it needs to boost the nation's productivity and increase international competitiveness.

Ministers agreed on six objectives for reform of the vocational education and training system, these are quoted below along with the anticipated results five years following their implementation.

1. A national VET system which is governed effectively with clear roles and responsibilities for industry, the Commonwealth and the states and territories.
2. A national system of streamlined industry-defined qualifications that is able to respond flexibly to major national and state priorities and emerging areas of skills need.
3. Trade apprenticeships that are appropriately valued and utilised as a career pathway.
4. A modern and responsive national regulatory system that applies a risk-management approach and supports a competitive and well-functioning market.
5. Informed consumers who have access to the information they need to make choices about providers and training that meets their needs.

6. Targeted and efficient government funding that considers inconsistencies between jurisdictions or disruption to the fee-for-service market.

Where we will be in five years and the practical steps to get there

By 2017–18, the Australian Government’s sweeping reforms will result in a more effective national training system that supports a stronger and fairer Australian economy.

- Working age Australians will be well informed about labour market needs, what skills they need and how to get these skills throughout their working lives. People will be able to go to a single website, My Skills, to find out key information on training courses and training providers, including price and quality information.
- Businesses will be confident that training providers and policy makers understand their skill needs and requirements. Skills development and utilisation will be integral to business workforce planning and development.
- Students will be entitled to a training place up to their first certificate III and will be able to track the training they have done using their unique student identifier.
- Students studying diplomas and advanced diplomas will not have to pay upfront course fees. Instead they will be able to take out a fee-free loan and start to repay it only once their annual income reaches a significant threshold (currently at least \$47 196).
- Training providers that access government subsidised training places will have to meet more rigorous quality standards. Training providers will be subject to independent validation of their assessments. Public providers will continue to deliver high quality trades training, provide excellent support for disadvantaged students and provide training across regional and remote Australia.
- The national training system will be more flexible and responsive to the needs of industry, able to address skill shortages as they emerge and support the higher levels of workforce participation and availability of high level skills needed to drive the new Australian economy.
- Such major structural changes to the way Australia skills its workforce will take several years to fully implement, and require detailed plans to be worked out with state and territory governments.

A review of the reforms will be undertaken by the end of June 2015 to allow governments to assess their impact, particularly the transparency measures and state reforms to the funding of training. An Expert Panel to be established in 2015 will consider data and evidence from which the Commonwealth and states and territories can consider and plan future funding arrangements.

NVETR Program funding

The National Vocational Education and Training Research (NVETR) Program is coordinated and managed by NCVET on behalf of the Australian Government and state and territory governments. Funding is provided through the Department of Education and Training.

The NVETR Program is based on national research priorities and aims to improve policy and practice in the VET sector. The research effort itself is collaborative and requires strong relationships with the research community in Australia's universities and beyond. NCVET may also involve various stakeholders, including state and territory governments, industry and practitioners, to inform the commissioned research, and use a variety of mechanisms such as project roundtables and forums.

Research grants are awarded to organisations through a competitive process, in which NCVET does not participate. To ensure the quality and relevance of the research, projects are selected using an independent and transparent process and research reports are peer-reviewed.

From 2012 some of the NVETR Program funding was made available for research and policy advice to National Senior Officials of the then Standing Council for Tertiary Education, Skills and Employment (SCOTESE) Principal Committees. They were responsible for determining suitable and relevant research projects aligned to the immediate priority needs in support of the national VET reform agenda.

For further information about the program go to the NCVET Portal <<http://www.ncvet.edu.au>>.



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