

18 December 1997

Mr Roderick West
Chair
The Review of Higher Education Financing and Policy
Location Code 728
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CANBERRA ACT 2601

Dear Mr West

Please find enclosed the ANTA Board's response to the policy discussion paper, *Learning for Life*, released by the Review of Higher Education Financing and Policy Committee on 12 November. The Discussion Paper raises issues that have particular relevance in the vocational education and training sector and, in addition to this response, the ANTA Board would be pleased to continue to play an active role in policy development in relation to future post-secondary education.

The ANTA Board welcomes the broad twenty year vision for post-secondary education in Australia and strongly supports the objective of universal access to post-secondary education and training.

The ANTA Board's overriding concern with the Discussion Paper goes to the fact that the Committee's vision for the future of post-secondary education in Australia is articulated from a higher education perspective and that a VET perspective is inadequately incorporated into the Discussion Paper. The Committee has taken the broadest view of its Terms of Reference, without taking the broadest perspective of post-secondary education. The ANTA Board's response seeks to redress that imbalance by providing a VET perspective on:

- the policy framework for post-secondary education;
- the future operating context; and
- the way forward.

It is our view that, on balance, the Discussion Paper issued by your Committee is not an adequate basis for the formulation of an overall position on the future of post-secondary education in Australia.

The ANTA Board has a keen interest in contributing to the debate on issues raised in the Discussion Paper and would welcome further involvement. I would welcome the opportunity to meet with you personally to discuss matters relating to the future of post-secondary education in Australia, as the Committee prepares its final report. Mr Moran will of course be available for more general discussions should they be required.

Yours sincerely
Stuart Hornery, AO

Australian National Training Authority
response to
'LEARNING FOR LIFE'

**Review of higher education financing and policy,
policy discussion paper**



AUSTRALIAN
NATIONAL TRAINING
AUTHORITY

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1. Overview of the ANTA Board's Response to *Learning for Life*

The ANTA Board welcomes the opportunity to respond to *Learning for Life*, a discussion paper prepared by the Higher Education Financing and Policy Review Committee, and looks forward to participating in the debate on the future of post-secondary education over the coming months.

The ANTA Board supports a number of aspects of the Discussion Paper, including:

- a post-secondary system responsive to a more competitive and open environment, recognising that governments, as the largest purchaser in the market, will seek to use it to achieve a range of social and economic objectives;
- the concept of universal entitlement to post-secondary education, recognising that:
 - the Finn Targets, which have been endorsed by all governments through the Ministerial Council for Employment, Education, Training and Youth Affairs (MCEETYA), act as a valuable framework for measuring progress towards the attainment of universal participation. The approach to monitoring progress against the Finn Targets¹ is reprinted at *Chapter 2* of this response;
 - an entitlement must move beyond meeting the needs of the 30 per cent of schools leavers who participate in a traditional higher education program. It must consider the needs of the existing labour force and of disadvantaged groups. It requires careful consideration and cannot be resolved simply by setting a fixed amount or time period without consideration of the full range of options for all people eligible;
- the key role for technology in expanding educational provision. Effective use of new technology may drive down the costs of education (thereby increasing overall provision), and also plays a particularly important role in expanding access to education, increasing options to students and improving the quality of learning and delivery; and
- greater choice and flexibility for clients of the sectors, which could be improved by closer links between the sectors and, from the clients' point of view, seamless pathways between the two. The ANTA Board strongly supports a future system which has simple credit transfer and articulation arrangements and entitlements able to be easily exercised in either sector.

While supporting elements of the Discussion Paper, the ANTA Board has concerns with some aspects of the Paper including:

¹ Methodology adopted by MCEETYA, May 1995

- the potential for a ‘seamless’ system to lead to multi-sector institutions that may not adequately recognise the benefits of vocational education and training;
- the potential for VET providers to concentrate on and move resources to higher level programs;
- the assumptions and projections for likely demand for VET; and
- comparative costings for higher education and VET which do not reflect the full costs to the community of places in either sector or different cost drivers across the sectors.

In addition, the ANTA Board considers that the Discussion Paper’s conclusion in relation to future public funding for post-secondary education would benefit from further analysis.

Post-secondary education covers activity in two distinct sectors - the higher education sector and the vocational education and training (VET) sector, bearing in mind that Adult and Community Education is playing a significant role in providing post-school educational opportunities as well. The relevance of vocational education and training is reflected in the number of enrolments in the system, 1.35 million in 1996 (ANTA 1997a, p. 2), and high overall satisfaction from employers with graduates of VET at 78 per cent in 1997 (NCVER 1997a, p. 1). VET caters for school leavers whose education and training needs are best met by qualifications at the certificate, diploma and advanced diploma level. Seventy seven per cent of graduates cite employment factors as the main reason for undertaking VET study (NCVER 1997b, p.3).

In developing and implementing policies for a seamless system, regard has to be given to the distinctive characteristics of both VET and higher education. The distinctive outcomes each sector is providing to clients must be retained, not diminished. This response outlines in detail the differences that exist between the sectors in terms of:

- student characteristics and needs;
- employment destinations and outcomes of graduates;
- provider types and operation;
- character of the products and services offered;
- role of industry;
- policy influences; and
- nature of government financial support and regulation.

While there are significant differences between countries, the experience in some overseas countries signals the need for caution when steps are taken to remove the

distinction between the VET and higher education sectors. Trends of particular concern include:

- the tendency on the part of tertiary education institutions to give priority to course based institution centred programs;
- moves amongst VET providers to increase the provision of degree programs;
- moves by some VET providers to become universities; and
- the diminishing of the standing of VET middle level qualifications when they are seen only as a step to a university program, rather than educational outcomes in their own right.

The ANTA Board's overriding concern goes to the fact that the Committee's vision for the future of post-secondary education in Australia is articulated from an overwhelmingly higher education perspective. This no doubt flows from the Committee's principal concern with the higher education sector as reflected in its Terms of Reference. The ANTA Board's response seeks to redress that imbalance by providing a VET perspective on:

- the policy framework for post-secondary education;
- the future operating context; and
- the way forward.

The ANTA Board draws specific attention to *Chapter 4* of the response which sets out its views of issues from a VET perspective relevant of the overall policy framework to the twin elements of the Committee's vision: a 'seamless' system, and universal access to post-secondary education. The Board supports the development of a seamless post secondary system which can deliver to clients:

- i) an entitlement to post-secondary education
- ii) effective competition between providers to ensure choice and diversity
- iii) a mix of public and private provision
- iv) adherence to the Australian Qualifications Framework by all providers, public and private, within VET and higher education
- v) comprehensive career and course advice which enables clients to consider the full range of available options
- vi) reliable and comparable data on all post-secondary providers so that clients can make informed choices about available providers; and
- vii) a strong and viable public provider of VET programs.

This ANTA Board response does not, however, purport to deal with all aspects of the matters dealt with in the Discussion Paper. Silence on any particular issue should not be taken to imply that a view on such issues has been reached by the Board.

The ANTA Board looks forward to a final report from the Review Committee which takes forward the concept of universal access to a seamless system of post-secondary education and training. The ANTA Board trusts the following response will inform the committee in the preparation of its final report.

2. Policy Framework for Post-Secondary Education: A Vocational Education and Training Perspective

In its submission to the Review Committee, the ANTA Board indicated that the development of a strong and distinctive VET sector in Australia was the result of a process of major reform by the Federal and State/Territory governments over the past decade. These reforms have the strong support of all sectors of industry and parallel similar reforms in other OECD countries. The renewal of the ANTA Agreement at the November 1997 meeting of the ANTA Ministerial Council, the commitment of the Federal Government to maintain funding for the next three years, and the agreement of all Ministers to achieve ‘growth through efficiency’ is further affirmation of that reform process.

Ministers for Vocational Education and Training have articulated a mission for VET (ANTA Ministerial Council May 1997). That mission is to ‘ensure that the skills of the Australian labour force are sufficient to support internationally competitive commerce and industry and to provide individuals within the Australian labour force with opportunities to optimise their potential.’

Ministers for Vocational Education and Training have also identified five objectives for the VET system (ANTA Ministerial Council November 1997):

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

These agreed statements provide the basis for the development in the first half of 1998 of the next *National Strategy for VET 1998-2003*.

The ANTA Board considers that the recent fundamental reforms to VET and the future features and policy settings for the national VET system agreed by governments provide a springboard for the on-going discussions around the future shape of a seamless post-secondary education system.

It is in the context of this position that the following comments in this response are offered by the ANTA Board.

2.1 The Vision of *Learning for Life*

The 20 year vision for the future of post-secondary education, as presented in the Discussion Paper, has two critical elements:

- the notion of a ‘seamless’ system; and
- the notion of universal access to post-secondary education with some form of entitlement.

The principal concern of the ANTA Board is that the vision appears to have been developed, and is articulated and argued for, overwhelmingly from a higher education perspective. The Discussion Paper has failed to incorporate the fundamental and distinctive core goals, characteristics and outcomes of VET despite the provision by the ANTA Board of detailed information to the Committee on these aspects of VET. The higher education centred perspective is the single most important deficiency of the Discussion Paper and limits its usefulness. This response seeks to now balance the Discussion Paper by concentrating on the VET perspective of:

- I. the policy framework for post-secondary education;
- II. the future operating context; and
- III. the way forward.

2.2 Critical Distinctions between Higher Education and VET

There is insufficient acknowledgment in the Discussion Paper of how the VET and higher education sectors differ in terms of:

- student characteristics and needs;
- employment destinations and outcomes of graduates;
- provider types and operation;
- character of the products and services offered;
- role of industry;
- policy influences; and
- nature of government financial support and regulation.

These differences go to the core of the purpose and operation of VET and higher education. They represent diversity and specialisation and should not be lightly set aside in constructing a future for post-secondary education. While the distinctions are critical and need to be acknowledged, they need not, however, be a barrier to a seamless system if they are recognised and accounted for in the development of such a system.

The ANTA Board is concerned that the Discussion Paper’s reference to the ANTA Board’s initial submission did not fully quote the relevant section that argued that an improved interface between the two sectors would result in benefits for clients, provided that interface recognised the differences between the sectors.

2.2.1 Student Characteristics and Needs

There are a number of differences between students in higher education and in VET. As outlined in the ANTA Board's previous submission to the Review Committee:

- 30% of higher education students are admitted on bases other than secondary schooling results or other higher education studies, whereas over 50% of VET students have not completed Year 12.
- 30% of higher education students reported having full-time employment, compared with 50% of VET students.
- 59% of higher education students are enrolled for full-time studies, in contrast with approximately 10% of VET students.
- Approximately 80% of higher education graduates are employed in professional and para-professional occupational categories, whereas less than 20% of VET graduates are employed in these occupations. Over 70% of VET graduates are employed in the operative (skilled or semi-skilled) and trade occupational categories.
- In 1996, 52,730 higher education graduates enrolled in VET programs, whereas in 1996, 11,819 people were admitted to bachelor level courses on the basis of TAFE studies (either complete or incomplete) (ANTA 1997c, pp. 13, 32-33).

VET also caters for people with a broad range of experience, both academic and non-academic. Education and training for occupations at professional and para professional level comprises 36 per cent of government funded annual course hours, while 23 per cent of government funded provision prepares students for occupations at operative/clerical level and 19 per cent of government funded provision for occupations at trades level. The remaining 22 per cent of government funded VET provision provides general education and training including basic literacy education, training in social and employment skills or education and training which does not relate to any particular level of occupation (ANTA 1997a, p. 15).

2.2.2 Employment Destinations and Outcomes of Graduates

As shown below, employment outcomes for graduates from both the higher education and VET sectors are broadly comparable.

The Percentage of Graduates in Full-Time and Part-Time Employment

	Higher Education (Bachelor Degree graduates)	VET graduates
Full-time employment	49.9%	47.3%
Part-time employment	13.5%	19.7%

Source: GCCA, *Graduate Destination Survey 1995*, Vol. 1, p 58
NCVER, *TAFE Graduate Destination Survey 1997: at a glance*, p 6

There are, however, significant differences between the sectors in the employment destinations of graduates. VET graduates are predominantly employed in the private sector (73 per cent) while higher education bachelor degree graduates, in full-time employment, are more evenly divided between the public (42.9%) and private (55.5%) sectors (NCVER 1997b, p. 7; GCCA 1996, p. 57).

Most higher education graduates who are successful in finding full-time employment are employed in professional and para-professional occupations, while VET graduates are most often employed as tradespersons, clerical workers or sales and personal services workers. (GCCA 1996, p. 20; NCVER 1997b, p. 7).

2.2.3 Provider Types and Operation

VET is delivered by a broad range of providers. Private providers, suppliers and equipment manufacturers, enterprises, adult and community education providers and industry skill centres all deliver VET (ANTA 1997a, p. 13).

There has been, for many years, a competitive market of private and public providers in VET, although it is only in recent years that private providers have had access to accredited programs and public funds. Ministers for Vocational Education and Training have been actively committed to the concept of an open training market since 1991, following on from the report by the Deveson Committee, *Training Costs of Award Restructuring* (1990). That commitment is integral to the ANTA Agreement. A report to the ANTA Board by the Allen Consulting Group, *Successful Reform* (1994), provided further impetus to increasing the scope and availability of market mechanisms which open up the training market and shift the focus of the system to the demand side.

Furthermore, there is great diversity within the publicly funded TAFE system, and models for their governance differ markedly between States and Territories. TAFE institutes are uniquely positioned to meet combined economic and social objectives. They are geographically well placed to service people across the whole of Australia (for example in Queensland alone there are 60 campuses across the State), and they sustain strong links with their local communities and industries through their councils and advisory boards. TAFE teachers have had direct industry experience in the occupations in which they teach. These characteristics will be retained in an environment where providers are encouraged to promote their strengths and governments use their position as purchasers to meet the needs of clients.

2.2.4 Character of Products and Services Offered

There are some important differences in the nature of programs undertaken in VET and higher education. In terms of Australian Qualification Framework (AQF) levels, the bulk of higher education and VET enrolments occupy distinct ground:

- all but a small number of higher education enrolments are in Bachelor and higher degrees; and
- the bulk of VET enrolments which lead to a qualification are in Certificate III and IV and Diploma courses.

The majority of VET programs are employment based or related, and refer to a clearly defined set of skill outcomes. In contrast, higher education undergraduate learning is substantially institution-based and has broader educational, social and cultural objectives.

VET providers have at their core a commitment to achieving vocational outcomes for their students. Over the past decade there has been sustained and progressive reform to skills formation in VET to strengthen this concentration on vocational outcomes. Anecdotal evidence suggests that a number of individuals enrol in particular VET modules without intending to complete a qualification, knowing that the chosen modules alone provide relevant workplace skills/ knowledge. This is evidenced by the fact that the successful completion rate for modules in 1996 was 85.1 per cent, compared with a much lower figure for award completions. The emphasis on skills formation is one of the defining characteristics of VET.

There has been a sustained shift away from a time-based system of training focused on inputs (for example, infrastructure, staff, curriculum) measured in terms of activity, to an approach based on outcomes.

Competency standards define the skills, knowledge and their application in the workplace as identified by industry, while Training Packages guide learning to the identified skill needs. Training Packages also provide for a range of pathways to achieving outcomes, including promoting multiple delivery modes.

VET qualifications under Training Packages are based on assessment against competency standards. Private providers or industry providers are able to issue these qualifications if they meet registration standards.

Increasingly, both the content and assessment of VET is oriented towards people being able to demonstrate work skills as well as being able to demonstrate underpinning knowledge. The progressive endorsement of Training Packages provides the basis for this recognition of skills and knowledge. Analysis of the first four Training Packages reveals that they incorporate Key Competencies² and language and literacy requirements as part of industry competency standards. All Training Packages address knowledge and skills that assist learning and the transfer of competency.

² The Key Competencies were defined by the Mayer Committee in their report, *Putting General Education To Work* (1992), and are as follows: collecting, analysing and organising information; communicating ideas and information; planning and organising activities;; working with others and in teams; using mathematical ideas and techniques; solving problems; and using technology.

The acknowledgment of competencies as the centrepiece of VET also necessitates a process whereby skills and experience acquired prior to the individual's current employment situation are formally recognised and affirmed. A number of industries have identified substantial potential for such a process (Recognition of Prior Learning, or RPL) to assist the existing workforce (both employed and unemployed with experience). Examples of high volume areas for this include retail, hospitality, property services, rural and community services. The utility of RPL resides in the fact that it provides a mechanism by which a culture of learning may be fostered in those lesser skilled segments of the workforce where there is considerable alienation from institutional education and training.

2.2.5 Role of Industry

Industry is the principal client of the VET sector, with 73.0 per cent of VET graduates working in private industry after graduation (NCVER 1997b, p. 6). Furthermore, 77 per cent of graduates cite employment factors (ie: getting a job, getting a better job, changing career, meeting job requirements and starting a business) as the main reason for undertaking VET study (NCVER 1997b, p. 3).

Industry also plays an active role in the VET sector, including through the provision of strategic leadership at the national and State/Territory levels. This leadership is exercised both in terms of:

- participating in policy development; and
- developing competency standards and participating in VET's quality assurance arrangements.

The ANTA Board, which has a key role in advising Ministers for Vocational Education and Training on the national policy settings for VET, is comprised of industry members. Parallel arrangements in States and Territories also provide for industry representation on State and Territory Training Authorities.

The new regulatory framework for VET at a national level has industry as the principal source of advice to Ministers for Vocational Education and Training on the endorsement of Training Packages. Industry also has an active role in providing advice on quality assurance arrangements in VET (at the national level) and in the operation of these arrangements at the State/Territory level.

2.2.6 Policy Influences

Policies and initiatives in VET are influenced by employment and economic considerations, by regionally specific policies, by equity policy, by industry policy and, in the area of regulated training, by industrial relations considerations. Because State and Territory governments play a key role in funding VET there are often strong links between State/Territory economic plans or direction statements and the role of TAFE in State/Territory economic development. Generally, universities are not included in such plans or are given a less precise role.

2.2.7 Nature of Government Financial Support and Regulation

Higher education institutions in the Unified National System are allocated a block operating grant for the delivery of an agreed student load, that is, an institute's total target load. In addition to total target load, institutions are required to meet an undergraduate target load. The triennial funding approach used by higher education aims to provide stability to the system through the allocation of growth on top of base funding.

VET is moving to a more market-based approach to funding. A variety of contestable funding mechanisms are being introduced, including 'user choice' for apprenticeships and traineeships, tendering of programs and the use of government funds to 'lever' industry expenditure.

There are also differences in the way the two sectors are regulated. Higher education institutes are established under State/Territory statute. Universities also have powers to self accredit educational programs and to determine their own curriculum, teaching methods and assessment arrangements. From January 1998, VET providers will be registered under the Australian Recognition Framework (ARF), a national framework managed by States and Territories, where public and private providers are registered against a set of national standards to either deliver and assess vocational education and training, or assess an individual's skills. Registration involves establishing a scope of delivery and assessment and providers are able to demonstrate their capacity to self accredit programs.

2.3 Governments' Commitment to Access to Post-Secondary Education

Within the VET sector, government commitments to access to post-secondary education and training have already been made in relation to:

- the access by young people to post compulsory education and training; and
- access by apprentices and trainees to government funded education and training.

The Australian Education Council Review Committee, chaired by Brian Finn AO, had argued for the establishment of national targets for post-compulsory education and training to ensure that almost all young people would attain a prescribed minimum level of post-compulsory education and training. In making this proposal the Review Committee emphasised that these targets should relate to levels of attainment as well as participation. The Committee also recommended that the desired levels of attainment should be accessible through a range of articulated pathways to vocational and general education (1991, pp. xv-xvi) .

The Finn proposals were simplified in May 1995 by MCEETYA for monitoring purposes into the following two Targets:

Target One: By 2001, 95 per cent of all 19 year olds:

- are participating in Year 12, or
- have completed Year 12, or
- have completed Years 10 or 11 and are participating in some formally recognised education and training, or
- have completed Year 10 or 11 and have completed some formally recognised education and training.

Target Two: By 2001, 60 per cent of 22 year olds:

- are participating in education and training programs which lead to level 3 awards, or
- have attained level 3 Qualifications, or
- have attained above level 3 Qualifications, or
- are participating in, or have completed higher education studies such as degrees and diplomas.

The Commonwealth supported the achievement of these targets through the provision of growth funds to the VET sector. The Commonwealth provided funding at a rate of \$380m per year at the conclusion of the period of growth funding in the context of the ANTA Agreement to expand places in VET. In addition, all States and Territories were required to at least maintain effort and some increased their financial contribution to VET. The ANTA Ministerial Council has agreed to further growth in the VET sector through identification and implementation of efficiencies.

The existing commitment by governments to the Finn Targets should form the basis for any more general policy of universal access to post-secondary education and training. The ANTA Board's analysis of data provided by the ABS *Transition from Education to Work* survey indicates that achievement of the Finn targets will require continued growth in participation and attainment rates for these age groups (1997a, p. 24).

More recently, Ministers have affirmed a commitment to the funding of New Apprenticeships. In May 1997, the ANTA Ministerial Council agreed that

“access to a publicly funded training place as a New Apprentice would be based on an individual:

- (a) - falling within the definition of a New Apprentice;
- not currently or previously having continuing full-time employment in the enterprise in relation to which the training will take place.

or

- (b) being an out-of-trade apprentice/trainee” (ANTA 1997b, p. vii)

The ANTA Ministerial Council also agreed that:

“for an individual meeting the definition of a New Apprentice *and* currently employed in the enterprise in relation to which training will take place, a State/Territory may negotiate to fund at their discretion the off-the-job training delivery for that individual where such funding is consistent with the priorities set by that State/Territory;” (ANTA 1997b, p. vii)

This commitment in respect of New Apprenticeships is neither age specific nor determined by the educational history of the individual client, but rather by the characteristics of the individual. This policy aims to ensure that the historical guarantee of government funded support for traditional apprenticeships is appropriately translated to New Apprenticeships while a greater range of people entering or re-entering the workforce (eg unemployed, women returning to the workforce) have access to public funding to support their employment based training.

The agreement to the Finn Targets and the policy framework for New Apprenticeships represent a commitment on the part of governments to a broadly based entitlement to post-secondary education, going well beyond the 30 per cent of school leavers who have entered into higher education programs.

2.4 Principles to Underpin the Vision

The Discussion Paper (pp. 4-5) outlines six principles on which the future of post-secondary education is proposed to be built:

- enhancing access;
- maximising the study options of students;
- promoting quality and accountability;
- maximising the benefits of research;
- cost effective community benefits; and
- fair levels of private contribution

The principles for the Committee’s vision, if they are to be inclusive of all post-secondary education and training, could usefully be augmented by the following two principles which are at the heart of the points of distinction set out at part 2.2:

- promoting industry and community leadership; and
- maximising vocational outcomes for students.

3. Future Operating Context: A Vocational Education and Training Perspective

As with the higher education sector, reform to the VET sector is not internally driven. It has become a priority in response to changes and influences in the external environment that affect the core business of VET. This chapter considers the forces for change and two other elements critical to fully understanding the future operating context of post-secondary education and training: demand for growth in VET and costing across the sectors.

3.1 Forces for Change

The Discussion Paper presents an environmental scan of the forces for change which will impact upon post-secondary education in Australia. The forces for change given particular emphasis are:

- information and communication technologies;
- development of global education market; and
- need for greater quality and flexibility.

The ANTA Board agrees that these three forces for change are among those which will drive reform in coming years in post-secondary education. They are as equally applicable to VET as to higher education and the VET sector is already generating reforms in response to these influences.

The list of forces could be enhanced by including an economic perspective which considers:

- restructuring of the labour market, and
- market reform.

Economic trends and developments in the labour market play a significant part in shaping the VET market and determining the level of demand for VET. The Commonwealth Government forecasts for the immediate term (1996-7) suggest that: GDP will rise by 3.75 per cent; inflation, as measured by the Consumer Price Index, will rise by 1.0 per cent; average earnings will rise by 4.0 per cent; employment will rise by 2.0 per cent; and the unemployment rate will decline to 8.0 per cent.

These projections imply a continued improvement in productivity for Australian industries. Growth in productivity is dependent, in part, upon an appropriately skilled work force.

3.1.1 Restructuring of the Labour Market

In many high performing organisations, employees no longer merely perform repetitive tasks. They often work in teams; they take greater responsibility for quality; they solve problems; and they work with advanced technologies. They must meet the need to develop new products and deliver new and better services, and work with new systems of production. The labour market is being restructured with significant consequences for work practices, job design, skills and learning.

Other trends in the labour market and the economy that need to be taken into account as a force for change in education and training are:

- growth in skilled part-time employment;
- changes in technology which affect the skills composition of existing jobs and lead to the emergence of new employment opportunities;
- variation in skill shortages as a result of economic cycles and industry susceptibility to domestic and international economic change;
- increases in labour force mobility between industries and occupations; and
- an increasing trend towards outsourcing and the provision of services by small businesses.

Organisations in the finance and business services industries, for example, are making increasing use of communications and information technology. In the larger manufacturing industries, advanced technological skills are required for specialised production and manufacturing techniques. Highly competitive sectors such as chemical and chemical product manufacturing, iron and steel manufacturing and petroleum are heavily reliant on the competitive advantage gained through technological advancements. Such industries are dependent on training in order to take advantage of technological change. The rapid pace of such change has given rise to an increasing demand for short courses and modules which can be frequently updated (ANTA 1997d, p. 2). The use of these short courses and modules are within the framework for life long learning provided for by Training Packages.

3.1.2 Market Reforms to VET

The VET sector is not quarantined from the external pressures that impact on Australian industry as a whole. Macro-economic trends, micro-economic reforms, the restructuring of the labour market, technology and the stronger expectations of clients are important factors in reshaping the operations of the sector. Market reform in VET is being driven by the:

- expectations of clients for flexible, responsive, quality products and services;
- rapid increase in technology which has opened up new delivery possibilities;
- emergence of a global education and training market;
- imperative for leading providers to be competitive on an international, rather than merely at a national level;
- competition between public and private providers for public funds;
- outsourcing of delivery to providers under contract (tendering out);
- introduction of arrangements for delivery against standard agreements (franchising);

- emergence of strategic alliances and re-alignments (and partnerships and mergers) within a competitive environment; and
- introduction of industrial arrangements that favour increased work force flexibility.

Clients of VET increasingly see themselves as consumers with specific training needs to be met by the training market. Questions fundamental to any market are now being worked through in VET - the nature of product to be purchased, how prices are set, who will pay and how products and services can best be delivered to clients. Initiatives such as 'user choice', competitive tendering and the National Training Framework are predicated upon an acceptance of competition as a force which will drive further change in VET.

3.2 Demand for Growth in VET

The Discussion Paper contains projections of *demand for student places* in higher education and in VET. The projections made for VET are significantly lower than the ANTA Board's own projections for the same period (*Learning for Life* 1997, p. 99). The ANTA Board is concerned by the Paper's underestimation of demand for VET, since an accurate scoping of future demand trends is critical in planning for a seamless post-secondary system.

The Paper's projections of demand for VET are expressed as *demand for student places*. In the ANTA Board's submission to the Review Committee, information was provided on *demand for qualifications*. The distinction between the two approaches is important.

The Discussion Paper bases its demand for student places on forecast population changes for both higher education and VET. The Discussion Paper thus asserts demand for places is most closely associated with the size of the population aged 16-20, and school retention rates. Using this methodology, the Discussion Paper suggests growth of 11 per cent between 1995 and 2015 in demand for VET places if age/education participation rates remain constant (or 0.55 per cent a year), and up to 64 per cent if participation by the age 30-64 population increases by 5 per cent a year. The latter is considered unlikely, but the Paper does not offer projections concerning a likely scenario. The low scenario put forward by the Paper contrasts markedly with growth of approximately 6 per cent a year in VET clients between 1981 and 1996.

The ANTA Board takes a broader view, and has recently developed its own model of *demand for VET places*, based around the notion that demand for places in VET is more likely to be related to labour force trends than to population trends. This reflects the fact that approximately 85 per cent of VET clients are in the labour force (ie they are employed or unemployed). The *base* scenario from this model suggests growth in demand for VET places midway between the Discussion Paper's high and low scenarios. Allowing for replacement demand (ie for those retiring or otherwise leaving the labour force), likely growth of New Apprenticeships, or policy initiatives to reduce skill shortages, would result in significantly higher demand for VET places.

The ANTA model is consistent with the agreed Finn Targets, a topic on which the Discussion Paper is silent. The Finn Targets (see *Chapter 2*) established a clear framework for growth in participation and qualifications attainment. The ANTA Board believes that further work on demand for VET places should, in regard to young people,

be within the framework established by Finn and, for total demand, take greater account of a labour force rather than demographic perspective.

3.3 Costing Influences

The Discussion Paper asserts that the separate regulatory and funding arrangements for the two sectors results in less than optimal use of government resources available for post-secondary education in Australia and goes on to claim that “public funding per full-time equivalent student for TAFE is, on average, greater in absolute terms than that provided for higher education” (p. 22). Greater detail is given on page 120 where the net public contribution to a business course is given as \$5,700 at TAFE and only \$2,720 at university.

Any attempt to determine comparative costings for education and training services in VET and higher education sectors at the program level must take account of critical distinctions between higher education and VET. Distinctions which are particularly relevant to the analysis of costing include:

- differences in the level of student contribution;
- differences in the character of products and services;
- differences in teaching and learning practices; and
- differences in enrolment patterns.

The single greatest difference between VET and higher education costs in the examples cited reflect differences in the diversification of the funding base, particularly in the context of student contribution. The TAFE level of student contribution through fees is given as \$700 whilst the higher education level, reflecting HECS, is given as \$3,530. Discounting for the student contribution in this way is not an appropriate way to arrive at a deflated program figure because using government contribution only does not reflect the total public contribution to VET or higher education.

As discussed in the previous chapter, the VET sector is characterised by a high proportion of part-time enrolments and a relatively small number of enrolments at the level of Diploma and Advanced Diploma (12.1 per cent, NCVER 1996). Teaching and learning practices in the VET sector often require the use of small class sizes and small group learning processes where as in many areas of the higher education sector large class sizes and lecture style delivery are more common.

If these distinctions are taken into account than it needs to be acknowledged that comparison of the average unit costs of VET delivery with the average costs of higher education delivery at undergraduate level is problematic without a detailed analysis of the cost implications of the education and training services offered, enrolment patterns and teaching and learning practices. The Discussion Paper does not offer such detailed analysis.

At the broadest level, however, cost comparisons are possible, and the analysis provided in the 1996 *ANTA Annual National Report Volume 3: Benchmarking VET* suggests that average teaching costs in the higher education sector per equivalent full-time student unit are more expensive at \$11,800 than in VET where the average cost per full-time student is estimated at \$7,800.

The issues of demand for post-secondary education and comparative costs between sectors are complex, and the ANTA Board proposes further consideration of these issues given their importance to developing an understanding of the context for a future seamless post-secondary system.

4. The Way Forward: A Vocational Education and Training Perspective

Against the backdrop of a set of comprehensive principles for post compulsory education, an accurate reading of the forces for change and the development of appropriate policy settings to accommodate them, along with clarification of the true nature and extent of demand, there is a solid foundation for the development of a ‘way forward’ which takes appropriate account of the distinctive characteristics of the VET sector.

This chapter has been framed against the two central elements of the vision set out in the Discussion Paper:

- I. the ‘seamless’ system; and
- II. universal access to post-secondary education

4.1 Characteristics of a Seamless System

The ANTA Board supports the development of a seamless system which can deliver to clients:

- i) an entitlement to post-secondary education
- ii) effective competition between providers to ensure choice and diversity
- iii) a mix of public and private provision
- iv) adherence to the Australian Qualifications Framework by all providers, public and private, within VET and higher education
- v) comprehensive career and course advice which enables clients to consider the full range of available options
- vi) reliable and comparable data on all post-secondary providers so that clients can make informed choices about available providers; and
- vii) a strong and viable public provider of VET programs.

The common thread running through these characteristics is the primary focus on the needs of the individual client. The nature of the proposed seamless system should be determined by these needs and not simply by the structural, regulatory and resourcing arrangements which underpin the system.

While further reforms of specific aspects of both sectors may be advantageous in encouraging cross-sectoral collaboration, the introduction of supply side, structured reforms across post-secondary education and training as a whole, ie the introduction of a single regulatory framework, the introduction of a common funding basis or the formation of multi-sector institutions, are not prerequisites for a seamless system.

4.1.1 An Entitlement to Post-Secondary Education

If there is to be a universal entitlement to post-secondary education, it will need to be able to accommodate a wide range of post-secondary pathways and recognise the education needs of not only school leavers, but also the unemployed, people returning to the workforce, and people in the workforce who have not had the opportunity to access education or training since leaving school.

How an entitlement is established is a complex issue that cannot be resolved by simply setting a fixed amount or time period without consideration of the full range of options for all people eligible. Consideration of the detailed characteristics of universal entitlement cannot be undertaken in isolation from a discussion on the level of public resources available and the levels of performance by providers demanded by governments to support the entitlement. In this context, it is appropriate to reiterate the ANTA Board's concerns about the demand analysis provided in the Discussion Paper (see *Chapter 3.2*).

The Discussion Paper links the concept of universal entitlement with the removal of 'up front' fees for tuition. The ANTA Ministerial Council has formally adopted a position that HECS for TAFE students will not be considered. In that context, the proposal to remove up front fees for those with an entitlement to a post secondary place would place a significant burden on TAFE, requiring an efficiency gain of some nine per cent.

Against the existing government commitments within the VET sector in relation to access to post-secondary education and training, the following observations from the ANTA Board are offered to assist the Committee's further consideration of the issue:

- access must be realised not only in terms of participation but also in terms of agreed minimum level attainment which reflects the recognition of minimum levels of skill and knowledge required to enter into effective participation in the community and the labour market;
- access should be made available through a range of articulated pathways which may involve movement between educational sectors, between providers, between employment based and institution based training and between competency based and course based programs; and
- universal access to agreed minimum levels of attainment must not be constrained by time and must accommodate breaks in individual participation.

4.1.2 Competition and Choice and Diversity

The ANTA Board supports the importance placed by the Discussion Paper on the role of competition in a future seamless system. In this respect, the ANTA Board considers that valuable lessons can be learned from the experience of the VET sector where the clients of the system have benefited from competition between providers.

Competition has increased a client focus in the VET sector, with providers encouraged to innovate and rewarded for improvements in efficiency, flexibility and responsiveness to client needs.

In July 1991, the VET Ministerial Council endorsed the creation of an open training market. Since that time, a number of market-orientated initiatives have emerged within the VET sector, including:

- **competitive tendering**, where public and private providers bid for the delivery of identified publicly funded training and education with the successful bidder meeting specified criteria including cost, quality, service standards and outcomes;
- **preferred supplier arrangements**, an extension of competitive tendering, where a contract is awarded to a provider (chosen by the tender process) to provide training on a longer term basis;
- **‘user choice’**, where clients exercise direct influence over training delivery options in matters of content, timing, location, sequencing, mode of delivery and provider. Public funds flow to the provider chosen by the client; and
- **fee for service activities**, where public and private providers compete openly on a commercial basis to deliver training which is predominantly privately funded.

The ANTA Board believes that the use of such market mechanisms is the most effective way to deliver choice to clients seeking education and training services. In a seamless post-secondary system, client focused competition could encourage VET providers and higher education providers to each focus their attention on best meeting the various needs of individual clients. The role of governments as a purchaser on behalf a range of clients is crucial in supporting a diverse range of products relevant to all clients of the system.

It should be noted that in the case of those competitive initiatives that have involved forms of client centred funding, eg ‘user choice’, there is evidence that clients do benefit from greater choice, without the VET system being undermined. Traineeships have been funded on a ‘user choice’ basis for nearly a decade with TAFE playing a major role in provision alongside private providers. Outcomes from ‘user choice’ pilots funded by the ANTA Board in 1996 indicate that groups such as remote indigenous communities have been able to negotiate more effectively to obtain quality, relevant training under ‘user choice’ arrangements.

It might be expected that, should all post-secondary providers be considered as part of a competitive education market, there would be increased instances where VET and higher education providers may strike up strategic alliances, or even partnerships, and other instances where the differences between particular types of institutions would widen.

Strategic alliances may prove to be especially valuable. Some innovative projects have already resulted from local collaboration, many of which also include partners outside the higher education or VET sectors. Examples were provided in the ANTA Board’s original submission to the Review Committee (ANTA 1997c, p. 25). The character of such arrangements varies, and should continue to do so, in response to the requirements of client groups, industries and regions. Review of national policy may reveal the need for change so as to encourage strategic collaboration but the initiative for collaboration should rest at the local level and arise in response to particular circumstances.

The lesson from the development of the Unified National System, and the attendant changes to what were the Colleges of Advanced Education, is that structural rearrangements, or forced mergers, can lead to the devaluing of desirable and distinctive characteristics of the less dominant partner. While strategic alliances and co-operation should be encouraged within a competitive market, forced mergers of providers into multi-sectoral institutions could result in reduced choice and diversity for clients. To the extent that client support for those qualities and characteristics remains strong, the specific qualities and characteristics of the VET and higher education sectors should be retained.

4.1.3 A Mix of Public and Private Provision

The experience of the VET sector also demonstrates the importance of private, enterprise and community provision within the market. The capacity of non-Government providers to compete for public funds and issue qualifications against levels 1 to 6 of the Australian Qualifications Framework has assisted in

- lowering costs of delivery
- expanding geographic coverage of VET delivery
- increasing choice for clients in terms of the range of providers available and the nature of delivery offered by providers
- enhancing the responsiveness of TAFE institutes.

A seamless post-secondary system must facilitate provision by a diverse range of providers and learning pathways across all areas of that system, with access to public funds constrained only by the capacity of providers to meet agreed quality standards, not by the nature of their ownership.

4.1.4 The Australian Qualifications Framework

The central requirement for a seamless system is a comprehensive national qualifications framework which allows for ease of movement between all programs irrespective of whether they are defined by set curricula or in terms of a prescribed sequence of competency standards. In this respect the basis for a seamless system already exists in the Australian Qualifications Framework (AQF) endorsed by MCEETYA in November 1994.

Both the VET and higher education sectors will need to ensure that the AQF is an effective framework that underpins post compulsory education. The AQF must ensure:

- comprehensive recognition of skills and knowledge acquired, whether through institutional, employment based or experiential learning;
- multiple entry and exit points across post-secondary education and training;
- credit transfer arrangements which allow skills and knowledge acquired in any post-secondary institution, meeting appropriate recognition requirements, to be recognised in another such institution;

- articulation arrangements which allow the straight forward and equitable passage of students from VET to higher education.

To enable this, both the VET and higher education systems will need to commit to the AQF. It is worth noting the New Zealand experience, where many of the barriers between VET and higher education have been removed, in which the universities are still resisting the application of the national qualifications framework to degree or higher level programs. (Webber 1997, p. 66; Methuen & Hansen 1997, pp9-10; The National Committee of Inquiry into Higher Education 1997, Appendix 5, Section 6, p5) From a clients point of view, this has the potential to limit the meaning of ‘seamlessness’ as movement within the system is limited by the need to undertake a series of case by case negotiations to establish articulation and credit transfer arrangements.

It is essential also that where universities purport to offer VET qualifications, using titles described in Training Packages, they must meet the registration standards of VET providers and must base the program on the standards identified in the Training Package.

The development of Training Packages needs to ensure that pathways are readily identified to enable registered training organisations and universities develop programs that facilitate movement through the levels of the AQF.

In establishing the AQF, Ministers also established the AQF Advisory Board (AQFAB) which has representation from all sectors and industry. In the context of the AQF being fundamental to the establishment of a seamless post-secondary education system, the AQFAB must have the authority to ensure the overall effective operation of the framework, particularly in ensuring that seamless pathways between qualifications are established.

4.1.5 Careers Counselling

The advice given to young people on post-secondary education and employment options is likely to have a significant impact on the decisions those young people take on leaving school. Careers counselling is the responsibility of schools systems, although there are other sources of information available to young people. TAFE and private providers, universities and, at times, the (then) Commonwealth Employment Service have all been actively involved with careers counselling. However, there has been no formal coordination of this advice at the State/Territory or national level, notwithstanding some positive coordinated local arrangements.

There is a perception that in many cases careers counselling has not reflected the full range, and value, of pathways and options available to young people and has lacked a labour market outcome focus. Specifically, there is a sense there has been a focus on higher education as the only valuable outcome possible, with VET as a 'second best' option. MCEETYA formed a taskforce to look at the issue although without any substantial resolution of it to date.

This is a critical area in terms of supply of young people into the labour market. There is considerable qualitative evidence to suggest that both the number and quality of young people applying to take up apprenticeships is declining at a time when there is a high risk of skill shortages in the future. A balanced approach by careers advisers is critical to addressing this. It is essential that Commonwealth and State/Territory activity in this area is better coordinated and undertaken from a broader perspective.

A seamless post compulsory education system will need to ensure that consistent, high quality information is available to all clients of the system to facilitate choice.

4.1.6 Consistent Data

In a seamless system it will be necessary to be able to measure performance in a consistent manner across all providers. The ANTA Board's submission to the Review Committee and the analysis in the Discussion Paper highlights the difficulties of measuring and evaluating performance across the two sectors.

A national data collection on post-secondary education would need to draw on elements of both current collections. Its primary objectives must be to inform clients on the options available and on the performance of providers.

4.1.7 Strong TAFE Institutions in a Seamless System

Creation of an efficient and productive network of publicly funded providers that can compete effectively in the training market is a key objective of the national VET system. TAFE Institutes are an increasingly effective participant with universities in the context of the diverse provision of post secondary education which optimises choice for students. Of course VET already has more students than universities. TAFE is also the preferred post-secondary choice of young people who, for reasons of social and economic circumstance, do not aspire to a university place.

The performance of TAFE institutes is central to the performance of VET overall, as around 90 per cent of public VET funds flow to TAFE under various resource agreements. Data provided by the National Centre for Vocational Education Research provides the following profile of TAFE:

- of all clients of VET, 70 per cent are enrolled in TAFE institutes;
- of all module enrolments in vocational programs, 95 per cent are in TAFE;
- eighty four TAFE institutes operate in 1,132 locations nationally;
- the replacement value of TAFE capital assets is estimated at over \$6 billion;
- in 1995, there were 26,200 (full-time equivalent) teaching staff and 18,600 non-teaching staff across TAFE; and
- over 90 per cent of TAFE graduates did not have to move to attend their course even though 39 per cent of graduates were located outside a capital city.

Furthermore, the recent reforms to vocational education and training would not have been possible without TAFE's ability to respond to new policy influences.

TAFE institutes are not only central to the operation of VET, they represent a substantial, geographically spread, national asset. Its strengths include:

- a well recognised brand name;
- qualified teachers with experience in industry;
- established capital stock; and,
- the capacity to ensure stability in the provision of vocational education and training against shifts in private purchase of training.

TAFE Institutes have also demonstrated a capacity to respond to market forces. For example, in Queensland where a significant proportion of Commonwealth growth funds have been the subject of tendering arrangements, TAFE Institutes are winning between 60 and 70 per cent of such funds against private, enterprise and community providers. TAFE Institutes have also demonstrated a capacity to win fee for service activity from industry.

It is essential that this network of TAFE providers be maintained and supported in a seamless system and that it continues to provide a diverse range of VET products.

4.2 Conclusion

The characteristics outlined above could form the basis of a seamless system for post-secondary education. In developing such a system, primary attention must be paid to ensuring the pathways through all post-secondary education are straight forward and transparent.

The ANTA Board looks forward to continuing to work with the Committee.

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