The Vocational Education and Training System

Key Issues for Large Enterprises

A report prepared for the Business Council of Australia by The Allen Consulting Group
Foreword

Fifty years ago, economies were ranked primarily in terms of raw industrial output and access to financial capital. We now live in a world in where intellectual capital and knowledge-based services have become a mainstay of economic growth and performance.

A key driver of this economic growth is Australia’s education and training system which must support the development of capabilities, knowledge and skills in the Australian community.

That is why the BCA accords such importance to Australia’s education and training policy framework and views every sector of Australia’s education and training system as being critical to maintaining a highly skilled and competitive workforce now and in the future.

The vocational education and training sector has a critical role to play in supporting the development and maintenance of skills, ingenuity and capabilities that are required by Australian enterprises.

The BCA commissioned the preparation of the report The Vocational Education and Training System - Key Issues For Large Enterprises to provide policy makers with a better understanding of the experience of large companies as they invest in the development of their employees.

The report discusses the significant changes that have occurred in the vocational education and training (VET) system over the last decade and includes case studies from 10 large companies.

The case studies detail why and how these large companies engaged in vocational education and training and outline some of the VET sector’s strengths and shortcomings in practice.

A critical outcome of the report is the reinforcement of skill formation as a long term challenge for companies and the economy and the need to consider how best this might occur in the future.

This leads us to the view that the current policy framework and institutional and administrative processes within the VET system do not proactively support the rapidly expanding skill development agenda of large enterprises and point to the case for more wide ranging changes to the VET system.

There are compelling economic reasons for the creation and maintenance of an effective policy framework to support skill formation, and given the outcomes of this initial research, the BCA will be investigating further appropriate policies and models to support skill formation for the decades to come. The results of this next stage of research will underpin recommendations to State and Federal Governments as well as business on how to improve skill formation in Australia.

Should you wish to discuss this paper or future research on this matter please contact Ms Maria Tarrant, Director Policy, maria.tarrant@bca.com.au

Katie Lahey
Chief Executive
# Table of Contents

FOREWORD ..................................................................................................................1
EXECUTIVE SUMMARY ...............................................................................................5

PART ONE SNAPSHOT: ROLE AND STRUCTURE OF THE VET SECTOR ................................................................. 13

CHAPTER ONE ..............................................................................................................15
THE ROLE OF VET IN SUPPORTING ECONOMIC GROWTH ................................................................. 15
Key Points ...................................................................................................................15
1.1 Introduction ........................................................................................................ 15
1.2 Theoretical issues linking VET to economic growth ........................................ 16
1.3 Quantifying the contribution of VET to economic growth ................................ 20
1.4 The relative importance of VET into the future ................................................. 23

CHAPTER TWO .............................................................................................................29
OVERVIEW OF THE VET SECTOR ................................................................................29
Key Points ...................................................................................................................29
2.1 Policy and administrative developments within the sector ................................ 30
2.2 Categories of providers ..................................................................................... 33
2.3 The qualifications framework and training content ........................................... 35
2.4 Scale of sector operations .................................................................................. 40
2.5 Sector performance against key performance measures .................................. 45

PART TWO ENTERPRISES AND THE VET SECTOR ................................................................................... 51

CHAPTER THREE ...........................................................................................................53
TEN CASE STUDIES: SKILL DEVELOPMENT AND THE INTERFACE WITH THE VET SECTOR ................................................................. 53
Key Points ...................................................................................................................53
3.1 Background ...................................................................................................... 54
3.2 Case studies ..................................................................................................... 55
3.3 Overview of case studies .................................................................................. 75
3.4 Conclusions ...................................................................................................... 87

CHAPTER FOUR ............................................................................................................89
KEY STRATEGIC ISSUES ............................................................................................89
Key Points ...................................................................................................................89
4.1 Introduction ...................................................................................................... 90
4.2 The changing demands on the VET system ..................................................... 91
4.3 The need for greater flexibility and responsiveness in VET ................................94
4.4 Delivering a better system of VET supply ......................................................... 97
4.5 Funding the public VET system ....................................................................... 99
4.6 VET sector alignment with the changed skill development paradigm in business ................................................. 99

APPENDIX ONE .........................................................................................................101
GLOSSARY ................................................................................................................101
APPENDIX TWO .......................................................................................................107
REFERENCES ..........................................................................................................107
Executive Summary

This paper has been prepared for the Business Council of Australia (BCA) by The Allen Consulting Group. The paper is designed to explain the role of the vocational education and training (VET) system in supporting economic growth, summarise for BCA Members recent developments within the VET system and identify training-related issues of possible concern to large enterprises.

To better understand the emerging issues around training at the enterprise level, the paper reviews current skill development strategies in 10 large enterprises and raises a number of key strategic training issues relevant to the VET sector that arise from the changing business environment.

The conclusion is that the VET system including the policy framework, administrative systems and training practices of the VET sector fall short of serving the increasingly complex skill development needs of large enterprises. While a range of administrative changes are required in the short-term to remove impediments, the rapidly expanding skill development agenda of large enterprises points to the case for more wide ranging changes to the VET system.

There are compelling economic reasons for the creation and maintenance of an effective policy framework to support skill formation. Given the outcomes of this initial research, the BCA will be investigating further the appropriate policies and models to support skill formation for the decades to come.

The role of VET in supporting economic growth

The theoretical and empirical evidence suggests that education and training is one of a handful of really significant drivers of individual business performance and growth across the economy as a whole. Further, there are major actual and potential societal benefits.

Education and training is a broad concept, incorporating primary and secondary schooling, higher education, vocational education and training, on-the-job training, and other ad hoc individual choices of training.

In the current structure, the VET sector is intended to deliver targeted skills and to deliver the requisite skills for a changing economy. There is also some focus on generic/employability type skills (such as ability to reason, problem solving skills, development of initiative and so on), and strategies to enhance VET treatment of generic skills are being considered around Australia. VET historically concentrated on entry-level training. It now has a specific role in the ongoing training and retraining of older workers.

Changes in the nature of the economy — such as the move toward greater dependence on knowledge as a factor of production compared to physical capital — mean changes in the content and methods of provision of vocational education and training. Vocational education and training will remain vitally important in driving company and economic performance.
Overview of the VET sector

In 1992 a national system for VET was created under the administration of the Australian National Training Authority (ANTA). This system was developed at that time in response to the need for training policy to be integrated into strategies for industry growth and national economic development and to ensure greater certainty in funding for the sector.

Since the mid 1990's, two key developments have been a move towards competency based training (furthered by the development and introduction of national training packages developed in collaboration with industry) and the development of the Australian Qualifications Framework (AQF). The AQF brings all post compulsory (post Year 10) education and training qualifications into one national system of qualifications and promotes greater articulation within and between the qualification levels offered through the school, VET and university sectors.

The developments of the last decade suggest much has been achieved. The challenge is to position VET to support skill formation for the coming decades.

In terms of delivery of VET, the share of VET provided by Technical and Further Education (TAFE) colleges has been declining in recent years (although they still deliver approximately 75 per cent of publicly funded VET) and the role of private providers has been increasing.

Data relating to publicly funded VET are reasonably comprehensive. However, there is little information relating to non-public provision of VET. Publically available information about companies that are Registered Training Organisations (RTOs) and provide training for their own staff or private training providers that operate purely on a fee for service basis is limited. ANTA reported that in 1996 industry spent a total of $3.74 billion on VET — approximately 45 per cent of total system expenditure. ABS (2002-2003) has subsequently estimated that industry expenditure has increased by 52 per cent to around $4 billion (in nominal terms) and has adjusted the 1996 expenditure estimate to around $2.4 billion.

Student activity has grown very strongly over the past ten years. Between 1991 and 2001 the number of students enrolled in publicly funded VET programs increased by 77 per cent from under 1 million to 1.76 million students, including 330,000 apprentices and trainees and 170,000 students participating through VET in schools.

The public VET system remains heavily reliant on State (56.7 per cent of recurrent revenue in 2001, totalling $2.35 billion) and Commonwealth (22.1 per cent, totalling $0.91 billion) Government funding. Student fees and charges in 2001 made up only 4.4 per cent of recurrent revenue ($0.18 billion). The composition of revenue sources does vary significantly between States.
While recurrent revenues and expenses have grown by 9.3 per cent and 10.2 per cent respectively between 1997 and 2001, growth in student training activity, whether measured by student numbers (+20.4 per cent), modules/units of competency (+36.5 per cent) or training hours (+25.0 per cent), has been increasing far more strongly during this period.

There appears to be a significant number (40 per cent) of VET students primarily (deliberately) module rather than full course oriented, in that they are taking only one or two modules in a given year.

Employer overall satisfaction with VET graduates, and specifically with graduate skill appropriateness and quality, are all slightly higher for non-TAFE VET graduates than for TAFE VET graduates.

**Skill development in enterprises**

Ten case studies found that a significant transformation in the skill development needs of enterprises is occurring as business tackles the challenges of the global marketplace, rapid technological change and increasingly sophisticated customer needs. Without exception, companies see skill development as integral to achieving high performance in the workplace. Many organise skill development as a national company strategy and integrate training provision from entry level to higher education and for the shop floor to senior executives.

The issues raised by the companies are at two levels. Firstly, they signal a range of interim administrative changes that are needed to ensure the VET sector is aligned with companies’ training objectives. At a higher level, the case studies demonstrate the significant transformation in skill development that is occurring in large enterprises and point to the widening chasm between the VET sector’s priorities and practices and companies’ skill development strategies. This suggests the need for changes not only to the current training framework but also to the overall parameters for VET policy as it relates to large enterprises.

Table E.1 summarises the drivers of the training priorities of business and the nature of training the enterprises in the case studies overwhelmingly prefer.
Historically, industrial agreements have played a major role in determining the pattern of industry training but now companies are increasingly driving training decisions from a whole-of-company perspective. There is an increasing focus on aligning training strategy with business strategy and ensuring the skills for growth are available to the company. One consequence of this alignment is that technical skills are being packaged with generic skills.

In the manufacturing, construction and resources sectors, there is a long history of operational and technical training. Changes in the nature of the workplace now call for the addition of the so-called generic skills like communication, teamwork and leadership, innovation and the use of information technology.

In the service and retail sectors, there are relatively low levels of post-secondary education in many areas of the workforce. The changing requirements of the sectors mean that the breadth and depth of the training effort in these enterprises continue to expand. The strongest drivers for skill development are product and service quality and ensuring service conforms to company standards and provides a competitive advantage.

Table E.2 illustrates the expanding breadth of training that is evident in the enterprises in the case studies. The wide breadth in the areas of training demonstrates the reach of training into all areas of business. Some categories are technically or product-specific while others are more general, although always related to the specific workplace context.
There is a wide breadth in the areas of training in enterprises, which demonstrates the reach of training into all areas of business. Some categories are technically or product-specific while others are more general, although always related to the specific workplace context.

The main areas for training are:

- Job readiness and induction
- Product knowledge
- Customer service
- Technical skills update/retraining
- Equipment vendor instructions
- Occupational health and safety
- Environmental standards
- Community awareness
- Front line leadership
- Team work and communication
- Regulatory requirements
- Personal awareness and development

Source: the Allen Consulting Group

In implementing their human resource and training strategies, the enterprises, are using the formal VET system of training packages, Australian Qualifications Framework (AQF) and VET providers to varying degrees. Three are enterprise RTOs for all of their training. The majority have a hybrid model that mixes enterprise RTO status, external provision and in-house training. Two have decided not to be RTOs and instead pursue innovative structural arrangements with external RTOs and like-minded enterprises.

In a few of the enterprises, the AQF and training packages serve as a useful guide to the inventory of skills needed in their sector. Mostly however, enterprises identify the gaps in the training packages and the slow process of keeping them up-to-date with industries’ rapidly developing skill needs. The AQF tends to be valued by enterprises more as a motivational device for employees than for the actual information about the qualifications attained.

The enterprise case studies point to a set of key issues that need to be urgently resolved if the companies are to continue to gain significant benefits from their involvement in the VET system. These include the following:

- Large enterprises consider that their skill development requirements are not adequately understood and reflected in overarching VET policy.
- Enterprises value training in soft skills/employability skills and consider that these areas are not given sufficient emphasis in training packages.
• Enterprises want training closely tailored to their workplace needs.

• Administrative barriers restrict innovative approaches, such as multi-institutional and company partnerships, which can stimulate new training models.

• Registration for large enterprises as RTOs is cumbersome and often redundant considering their global standards.

• Inconsistencies in state-based standards and regulations create inefficiencies.

Enterprises in the case studies send the message all too clearly that the systems and practices of the VET system are failing to meet their increasingly complex skill development needs. They have signalled a number of shorter-term changes but, beyond these procedural aspects, the overall concern of enterprises is that the VET sector does not appear to be sufficiently receptive to the new skill development paradigm in business and able to change accordingly.

Key strategic issues for the BCA

The BCA is primarily concerned to ensure appropriate policies, frameworks and models exist to support skill formation in the economy. In the current model, the VET sector has a substantial role and business expects the VET sector to deliver quality outcomes in an efficient, timely, and industry-responsive manner.

The major pressures and demands on the VET sector revolve around the changing nature of the world of work and the transformation in skill development in enterprises. There are major changes in the dominant model of work organisation, with a greater role for generic knowledge, updating skills over time, and an increasing emphasis on skills in driving competitive advantage. There are unanswered questions about the future role of the AQF, competency based training and training packages as currently applied. Consideration needs to be given as to whether these are still the tools to support effective skill formation in the next decade.

Demographic changes highlight the need for worker re-skilling and life-long learning approaches, in addition to ongoing demand for training to equip workers in the initial phase of their career.

Enterprises, as they seek to achieve growth and productivity improvements, will assess the relevance and capacity of the VET sector to support the needed skill development. If the VET sector can not meet the need for relevant and effective vocational education and training, enterprises will increasingly choose to provide training outside the VET framework.

Given the importance of skill formation in sustaining economic growth the BCA is contributing to the debate around the optimal policy framework underpinning skill formation. In terms of the current VET sector, there are key issues for the ongoing relevance of VET.
The type of skills required in workplaces is changing. There is an increasing requirement for generic skills and ongoing retraining. New flexibility and timeliness will be required in training frameworks and policies. Modules of training rather than qualifications will be increasingly important, particularly for ongoing skill development. This brings into question how training packages are developed, their content and how they will be delivered.

National coordination and harmonisation across States and Territories in terms of quality assurance systems, industry licensing and occupational health and safety training continues to be absent from the VET sector leading to confusing and conflicting regulatory requirements.

Much has been achieved in the growth and diversification of training providers. The introduction of “user choice” has enhanced availability and quality. The VET system of the future should facilitate both public and private providers of vocational education, maintaining a competitive environment.

However, recognition needs to be given to the ongoing role of public providers. Discussion about their future role and resourcing is required. There are pressures around the ongoing financial viability of the public system due to relatively narrow funding bases, overwhelming dependence on Government funding and the disjoint between recurrent funding and recurrent expenditure — particularly in relation to the treatment of capital depreciation.

Overall, the policy framework, regulatory and administrative processes and training practices of the VET system fall short of serving the future complex skill development needs of large enterprises. Issues such as global competition, new technologies, increased focus on productivity and ensuring increased participation as the workforce ages are all contributing to a major focus on skill formation in many BCA Member companies. The challenge will be to ensure the appropriate models to support skill formation are in place for the next decade.

A new agenda might take account of factors such as: capacity of the current AQF, training package and competency based training system to address future skill requirements; a sharper delineation of roles and responsibilities between the VET sector, large business and smaller sized enterprises; the costs versus the benefits of the VET sector regulatory apparatus; achieving greater autonomy for large enterprises within a national framework; and how to achieve the flexibility and responsiveness that all stakeholders are seeking.

While administrative changes are called for in the short-term, the expanding skill development agenda of enterprises points to the case for a wider ranging reform to the policies and models supporting skill formation so they align with the new skill development paradigm in business.
Part One
Snapshot: Role and Structure of the VET Sector
Chapter One

The Role of VET in Supporting Economic Growth

Key Points

There is a compelling case for business to pursue policies that achieve the best possible model for skill formation. Under the current education and training system, the VET sector is a critical player in skill formation.

Business has a deep interest in ensuring the best possible VET sector, in conjunction with improvements in the higher education sector.

The theoretical and empirical evidence suggests that education and training is one of a handful of highly significant drivers of individual business performance and growth across the economy as a whole. Further, there are major actual and potential societal benefits.

Education and training is a broad concept, incorporating primary and secondary schooling, higher education, vocational education and training, on-the-job training, and other ad hoc personal individual pursuit of training. The best economic growth results appear to be achieved by countries that pursue a balance of higher education and VET.

Changes in the nature of the economy — such as the move toward greater dependence on knowledge as a factor of production compared to physical capital — mean changes in the content and methods of provision of vocational education and training. Vocational education will remain vitally important in driving company and economic performance.

1.1 Introduction

There is a clear linkage between education and training and economic growth. Education and training is designed to improve worker productivity and skill relevance, which in turn leads to greater economic production. This section considers this relationship.

Education and training is a broad concept, incorporating primary and secondary schooling, higher education, vocational education and training, on-the-job training, and other ad hoc personal individual pursuit of training. Education and training as a whole is one of a number of factors influencing economic growth.

Identifying and investigating the specific role of VET is important given the ongoing aim of shaping the VET sector so that it delivers optimal economic growth into the future and makes best use of available resources. Special attention is given to the varying importance of VET across a variety of industry sectors, and the place of VET in the future vis-a-vis other sources of education and training.
The Vocational Education and Training System – Key Issues for Large Enterprises

The remainder of Chapter One addresses:

- the process of how education and training translates to economic growth, including what particular types of education and training;
- estimates of the size of the contribution of education and training to economic performance, reinforcing the importance of the sector, and quantifying the relationship between training and economic growth that is often held to be self-evident; and
- the specific role of VET within the range of education and training options, particularly in light of ongoing changes to the structure of the economy.

1.2 Theoretical issues linking VET to economic growth

This Section analyses the general relationship between education and training as a whole and economic growth. This relationship is based on education and training equipping workers with improved skills, which allows workers to undertake their work tasks more efficiently and effectively, enhancing productivity, and which boosts the participation of skilled workers. Secondly, we discuss the particular contribution of VET — that is the skills VET generates for workers compared to other forms of education and training.

Contribution to growth of education and training generally

The overriding purpose of education and training is to improve the skills of workers. One of the first attempts to formalise study of this process was under the name of ‘Human Capital’. Under this framework, labour is seen as a factor of production that combines with physical capital and other ‘knowledge’ to produce goods and services. By definition, the higher the skill level of labour and the higher the specific ‘usability’ of the skill, the greater the productive capacity. Education and training leads to increased skill levels, which is how education and training influences economic growth.

---

1 This followed the work of Gary Becker (1975) Human Capital
2 For example, intellectual property and other stores of knowledge that are available to workers.
This means that education and training is of itself, an input — simply undertaking education and training does not automatically increase production *per se*. Translation to increased economic growth requires:

- quality training that increases skills;
- new skills to be valued by businesses and relevant to the production process; and
- new skills to be utilised in a way that has a material impact on production, and hence on economic growth.

Education and training increases the available supply of human capital in terms of both quantity and quality. Maximum returns are achieved where the education and training specifically matches the most scarce areas of labour supply and is best suited to the available stock of capital and other factors of production. It follows that outcomes are not just determined by the absolute *quantum* of resources devoted to education and training, but also by the *quality* of the education and training inputs and their *relevance* to the economy in which they are being delivered.

Improved productivity comes from both raising the general skill level of workers, as well as prompting significant and groundbreaking inventions that have significant implications for large sectors of the economy. There are benefits not just from the specific skills generated, but also in terms of dynamic adjustment and ability to learn and adapt over time. Possession of *generic* skills is the hallmark of the ‘knowledge economy’ — this is discussed in greater detail in section 1.4. The broad linkages are summarised in Figure 1.1 below.

Figure 1.1

**AVENUES OF LINKAGES BETWEEN VET AND INCREASED ECONOMIC GROWTH**

![Diagram](image)

*Source: The Allen Consulting Group*
With increased globalisation and reduced barriers to trade, skill formation is seen as critical to competition in markets with increasing emphasis on high-skill inputs. Companies regard the knowledge and skills of their employees as a significant driver of business performance and, consequently, a significant driver of investor support for the business. This was borne out in a major survey and report undertaken by The Allen Consulting Group for the Australian Industry Group in 1999. The following Table 1.1 reproduces data on survey responses to company training objectives and shows the strength of support for skill development as a core contributor to competitiveness.

### Table 1.1

<table>
<thead>
<tr>
<th>COMPANY TRAINING OBJECTIVES</th>
<th>% Disagree</th>
<th>% Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve our quality</td>
<td>1.90</td>
<td>93.70</td>
</tr>
<tr>
<td>Meet health and safety requirements</td>
<td>4.40</td>
<td>77.40</td>
</tr>
<tr>
<td>Implement workplace change</td>
<td>7.70</td>
<td>68.80</td>
</tr>
<tr>
<td>Build commitment to the company</td>
<td>8.10</td>
<td>67.10</td>
</tr>
<tr>
<td>Multi-skill our employees</td>
<td>4.10</td>
<td>87.00</td>
</tr>
<tr>
<td>Improve our competitiveness</td>
<td>3.00</td>
<td>88.20</td>
</tr>
</tbody>
</table>

Source: Australian Industry Group Skills and Training Survey. Taken from Figure 1.9 of *Training to Compete*, a report by The Allen Consulting Group to the Australian Industry Group.

There are three main sources of skills possessed by workers that form the deep and dynamic skill base required in the economy:

- inherited personal characteristics (eg strength and intelligence);
- acquired through formal education and training (VET, university, school, other); and
- acquired through work experience and informal training in a work situation.

**Broader social and community benefits**

A major rationale for heavy government involvement in education and training is the range of social and community benefits, either to individuals themselves, or to society in general.

---


For society as a whole, a number of benefits flow from education and training:

- promoting shared values;
- improving social cohesion; and
- enhancing the cultural and knowledge basis for democratic citizenship.

Corollaries to this are reductions in crime–rates, improved health and well–being, and more positive outlooks among society. Reports such as that of the ‘Kirby Review’ in Victoria have similarly highlighted the benefits associated with education and training. There is also an important social dimension to individual benefits in:

- promoting ‘equality of opportunity’ through access to education and training; and
- enhancing the ability of all employees to access education and training, including targeted assistance to those at risk of particular adverse outcomes (for example unemployment).

On a more cautionary note, there is some risk of disenchantment if access to the system of education and training promotes outcomes of ‘haves and have-nots’, and widening inequalities in the distribution of income and wealth.

The NSW Board of Vocational Education and Training (BVET) (2000) also cautions against promoting skill formation as the solution to all problems. The publication emphasises VET as one of a number of important factors. It is essential that training be informed by an understanding of what skills are required within the economy. Unless this occurs there is a danger that people may be either over-qualified or mis-qualified for available employment opportunities.

**The role of VET within general education and training**

The previous section outlined in general terms, the relationship between education and training and economic growth. VET is a subset of education and training provision, which includes:

- VET;
- informal on–the–job training;
- University;
- secondary school;
- Centres for Adult Education; and
informal training pursued by the individual themself, for example, through books, internet and other resources.

The specific contribution and objectives of VET are defined by ANTA as follows:

Vocational education and training is ‘education and training for work’. It exists to develop and recognise the competencies or skills of learners.

It has traditionally been seen as post-secondary, non-university education and training, focusing on apprenticeships. But reforms in the past decade now see vocational education and training programs offered in secondary schools, stronger links with university study options and six levels of qualifications offered in most industries, including high growth, new economy industries.

VET is intended to deliver targeted skills and be responsive to industry needs. It aims to deliver the requisite skills within a changing economy. There is some focus on generic/employability type skills (such as ability to reason, problem solving skills, development of initiative and so on) and strategies to enhance VET treatment of generic skills are a current focus of deliberation around Australia.

While VET has historically concentrated on entry-level training (as Table 2.3 illustrates over 70 per cent of VET qualifications awarded are still at AQF III or below) it now has a specific role in the ongoing training and retraining of older workers.

1.3 Quantifying the contribution of VET to economic growth

Available evidence suggests that there are significant returns from education and training to both individual enterprises and to the economy generally. These attempts to formally quantify the contribution of education and training to economic growth reinforce the strong theoretical linkages outlined in Section 1.2.

Because of the complexity of the linkage between education and training and economic growth, the difficulty in collecting appropriate data, and the correlation between a numbers of the variables, the strength of the theoretical relationships has not always been borne out by empirical quantification. Further, there is strong survey and anecdotal evidence, for example as set out in Table 1.1, which highlighted the strong commitment of companies to training in order to improve aspects such as quality and competitiveness.

---

A selection of recent and relevant research is set out in Table 1.2 below. Much of the analysis refers to education and training in general, rather than focusing specifically on VET. The research demonstrates benefits to individual companies in terms of improving goods and services and capturing improved market share. There are also benefits in terms of producing a dynamic labour force and one that is adaptive to change.

Conservative estimates of the benefit to the economy as a whole suggest that increasing the average level of educational attainment by a year would increase GDP growth by 0.2 per cent per annum. This translates to an increase in GDP of approximately $1.4 billion per annum in current dollars.
### Table 1.2

<table>
<thead>
<tr>
<th>Source</th>
<th>Methodology</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dowrick, S., (2002), Australian National University, <em>The Contribution of Innovation and Education to Economic Growth</em></td>
<td>Survey of available econometric analysis conducted over the past 15 years, particularly focussing on studies of OECD countries.</td>
<td>Reports that the annual rate of return on public education is in the order of 20 per cent. Reports that the increasing the average level of education and training in Australia by one year (from its current level of 10.6 years) would (conservatively) increase the annual GDP growth rate by at least 0.2% points.</td>
</tr>
<tr>
<td>NCVER and Blandy et al (2000) <em>Does Training Pay?</em></td>
<td>Survey of Australian and US enterprises, ABS data, and case studies. Focussed primarily on on-the-job training.</td>
<td>The overall finding was as per the following quote: “Returns to training investments are nearly always positive and can be very high...The rates of return depend neither on firm size nor the industry in which the firm is located but on the nature of the training program and its relevance to the business needs of the firm.” Other findings included: • returns from the training program may be in many forms; • training is important as an enabler of change and improved practices; • complementary policies are important, such as HR; and • it is difficult to achieve good methodological outcomes and measurement of training. Few firms actively pursue such measurement.</td>
</tr>
<tr>
<td>OECD (2001) <em>Does Human Capital Matter for Growth in OECD Countries?</em> Economics Department Working Papers No. 282</td>
<td>Econometric estimation of ‘growth equations’ using pooled OECD data. This method tries to quantify and explain differences in the drivers of economic growth. The authors use an advanced econometric technique and better data to test for the human capital effect.</td>
<td>The paper notes that many reports have found returns to investment when conducting analysis at the micro or enterprise level. However: “While there is strong theoretical support for a key role of human capital in the growth process, empirical evidence is not clear cut.” Using the advanced econometric technique, as well as improved data, the study estimates a long-run effect on output of 6 per cent from an additional year of education.</td>
</tr>
<tr>
<td>NCVER (2002) <em>Statistics 2001: TAFE and University Graduates 15–24 Years</em> At a Glance Series. Accessed at <a href="http://www.ncver.edu.au">http://www.ncver.edu.au</a></td>
<td>Surveys of graduates 15–24 years old completing their training in 2000 (i.e. surveys undertaken in 2001).</td>
<td>TAFE graduates enjoy success in finding employment (77.3% employed within six months of completing the qualification). This is a reasonable proxy for the value prospective employers place on the value of TAFE courses undertaken, and ultimately the benefit to the economy.</td>
</tr>
<tr>
<td>Deakin University Employment Services (1997) <em>Returns to Training: A Literature Review</em>. Background paper to ANTA.</td>
<td>Literature review of Australian and European papers on the nature of returns to training.</td>
<td>Focussing on performance at the enterprise level across the 1980s and 1990s, the review documented a number of examples of increased productivity resulting from training.</td>
</tr>
</tbody>
</table>

Source: various, as outlined in the table.
1.4 *The relative importance of VET into the future*

Previous sections illustrated the centrality of education and training in general to a range of economic and social outcomes. VET has been an important source of education and training in the past, and will remain important in the future. The precise role of VET is influenced by a number of drivers such as:

- skill deepening across the economy at large;
- growth projections on an industry–by–industry basis, with implications for demand for VET given the varying concentration of sectoral use of VET graduates; and
- knowledge economy factors, which are changing the nature of work and the type of skills in demand in the economy as a consequence.

**General trends and demands for education and training**

The forecast trend for most OECD countries is skill deepening — implying greater levels of VET for any given population. In addition, population growth is likely to lead to increasing levels of VET assuming participation rates remain constant. The skill deepening means that employment growth is being generated by relatively greater demand for middle and high skill employees, and relatively little demand for low skill employees. Figure 1.2 shows analysis from the (then) Commonwealth Department of Employment, Education and Training that compared actual demand for skills between 1986–1994 with predicted demand for skills between 1994–2005. It shows the significant move away from low skill work as a source of employment growth, toward middle and high skills.

**Figure 1.2**

*ACTUAL AND PROJECTED GROWTH IN OCCUPATIONAL EMPLOYMENT BY SKILL: 1986–2005*

Source: DEET (1995) *Australia’s Workforce 2005: Jobs in the Future*
In terms of employment growth by industry sector, in year 2000-2001 employment grew most strongly in the mining (+3.3 per cent), services (between +2.6 per cent in cultural and recreational services to +6.0 per cent for health and community services) and Government administration and defence (+7.4 per cent) sectors and declined most heavily in the construction (-5.9 per cent), manufacturing (-4.8 per cent) and agriculture (-2.1 per cent) sectors.

A report to the ANTA CEO’s Committee by the National Resourcing Working Group indicated that this skill deepening could represent an increase in demand in the order of 1 per cent. The report noted that while overall participation rates are growing in Australia, they are growing relatively slowly compared to other OECD countries, and hence Australia was at risk of losing its relative position.

In itself, ongoing skill demand and moves toward a ‘high–skill’ economy suggests an increase in the absolute demand for VET, but not necessarily in the relative demand. It is possible to overemphasise moves toward ‘high–skill’ outcomes at the expense of other important factors. This point is well made in a NSW BVET paper:

> The preoccupation with high and low–skill economies also diverts attention away from the variety of ‘skill ecosystems’ (i.e. clusters of high, intermediate and low–level competencies in a particular region or industry). Moreover, whilst ‘high skill ecosystems’ (eg IT) are important as engines of growth and development, it is now clear they will not generate mass employment in the way of some intermediate and routine skill ecosystems (eg cleaning) whilst other ecosystems are important for the social value of their work (eg family support services). The challenge for policy–makers is to move beyond the impossible dream of a ‘high skill economy’ to combine a diverse range of policy instruments across a wide range of portfolios to manage a diverse bundle of skill ecosystems.

### Industry concentrations

Different industry sectors have different concentrations of worker backgrounds and education and training qualifications. Figure 1.3 highlights the different contributions of VET and university education to various industry sectors. Overall, a significantly greater proportion of labour force participants have VET qualifications as their highest educational attainment compared to higher education. Across all industries, just under 40 per cent of workers aged 25–64 have VET qualifications compared to around 25 per cent of workers aged 25–64 with higher education qualifications. A significant percentage of workers are also without non–school qualifications.

---

11 National Resourcing Working Group (November 2000) *Future Demand for Vocational Education and Training, Report to ANTA CEO’s Committee*
If current industry concentrations of VET and higher education qualifications persist into the future, then there is unequivocally a continuing major role for VET, given its current significance in providing qualifications for a large share of the workforce.

There are two major reasons why the industry concentrations would not remain constant into the future. The first is because of varying future growth rates of the individual sectors. According to modelling work completed by the Monash University Centre of Policy Studies, a number of sectors that have relatively high concentration of VET graduates are set to reduce labour inputs. These sectors include communication, manufacturing, utilities, and agriculture. Sectors that are likely to increase demand for labour include business services and health and community services — these are sectors that have a relatively high reliance on university graduates.

The second reason is changes in the nature of work and the demand for skills across all industry sectors. This is discussed below.

---

The role of VET in the knowledge economy

A hallmark of the knowledge economy is that intangible — primarily human — capital is growing in relative importance as a driver of national economic competitiveness, and hence growth rates. That is, such intangible capital is relatively more important than physical capital.

On the one hand, universities have a strong role to play with their emphasis on research and teaching of conceptual frameworks. These are useful in underpinning innovation and also in equipping workers with the skills to adapt to rapid changes in technology in their future work lives.

However, there are a number of reasons underpinning a strong case for the continued importance of VET, and an appropriate balance between higher education and VET:

• while research is an important driver of innovation, for there to be ultimate benefit to the economy, the workforce requires skills and knowledge to adopt innovative approaches in their work practices and translate them to real productivity gains. VET has an important role in this specialised application;

• while physical capital is certainly less important in the new economy structure, it remains an important source of productivity in the economy. Areas of traditional VET importance remain so, even if the precise teaching has changed with advancing technology. Only around 40 per cent of each cohort of school leavers now attend University — that is, the minority — so VET continues to be vital;

• even in the 'high tech' sectors demand for those with VET qualifications is strong and growing. For example, within the information technology and telecommunications (IT&T) sector in Australia, for every three higher education graduates, two are needed with VET qualifications;

• VET skills, and particularly the middle level and advanced VET skills, are experiencing high levels of demand;

• VET plays a relatively more important role than university (and other education and training options) in re–skilling and up–skilling workers throughout the course of their working lives. This is gaining in importance with increasing focus on lifelong learning;

• VET has a particularly critical role in lifting the skills and qualifications of those with low skills — important for social cohesion and for avoiding growing polarisation by income level; and

• international comparisons of overall economic performance versus education and training performance show that the most competitive countries balance commitments to both higher education and to VET.

---

The balance of these considerations suggests the ongoing importance of VET as the economy grows in knowledge intensity.
Chapter Two

Overview of the VET Sector

**Key Points**

In 1992 a national system for VET was created under the administration of the Australian National Training Authority. This system was developed at that time in response to the need for training policy to be integrated into strategies for industry growth and national economic development and for greater certainty in funding the sector.

Since the mid 1990’s, two key developments have been a move towards competency based training (furthered by the development and introduction of national training packages developed in collaboration with industry) and the development of the Australian Qualifications Framework (AQF). The AQF brings all post compulsory (post Year 10) education and training qualifications into one national system of qualifications and promotes greater articulation within and between the qualification levels offered through the school, VET and university systems.

The developments of the last decade suggest much has been achieved. The challenge will be to position VET to support skill formation for the next decade.

In terms of delivery of VET, the share of VET provided by Technical and Further Education (TAFE) colleges has been declining in recent years (although they still deliver approximately 75 per cent of publicly funded VET) and the role of private providers increasing.

Data relating to publicly funded VET are reasonably comprehensive. However, there is little information relating to non-public provision of VET. Publicly available information about companies that are Registered Training Organisations (RTO) and provide training for their own staff or private training providers that operate purely on a fee for service basis is limited. ANTA reported that in 1996 industry spent a total of $3.74 billion on VET — approximately 45 per cent of total system expenditure. ABS (2002-2003) has subsequently estimated that industry expenditure has increased by 52 per cent to around $4 billion (in nominal terms) and has adjusted the 1996 expenditure estimate to around $2.4 billion.

Student activity has grown very strongly over the past ten years, between 1991 and 2001 the number of students enrolled in publicly funded VET increased by 77 per cent from under 1 million to 1.76 million students, including 330,000 apprentices and trainees and 170,000 students participating through VET in schools.

The public VET system remains heavily reliant on State (56.7 per cent of recurrent revenue in 2001, totalling $2.35 billion) and Commonwealth (22.1 per cent, totalling $0.91 billion) Government funding. Student fees and charges in 2001 made up only 4.4 per cent of recurrent revenue ($0.18 billion). The composition of revenue sources does vary significantly between States.

While recurrent revenues and expenses have grown by 9.3 per cent and 10.2 per cent respectively between 1997 and 2001, growth in student training activity, whether measured by student numbers (+20.4 per cent), modules/units of competency (+36.5 per cent) or training hours (+25.0 per cent), has been increasing far more strongly during this period.
There appears to be a significant number (40 per cent) of VET students primarily (deliberately) module rather than full course oriented, in that they are taking only one or two modules in a given year.

Employer overall satisfaction with VET graduates, and specifically with graduate skill appropriateness and quality, are all slightly higher for non-TAFE VET graduates than for TAFE VET graduates.

2.1 Policy and administrative developments within the sector

The VET sector went through a period of major administrative and policy change in the early 1990’s. This followed earlier eras where most state governments were struggling to meet the funding demands of the sector and training policy was not integrated into strategies for industry growth and national economic development. In 1987 a Commonwealth Government report *Skills for Australia* placed training in a central position in the transformation on the economy. In 1992, Commonwealth, State and Territory Governments agreed, through the Australian National Training Authority Agreement, to create a national system for VET under the administration of the Australian National Training Authority and to establish greater industry involvement in the system. This set a framework for co-operative decision-making on VET priorities and provision among the states, the Commonwealth employer bodies and unions.

Following the move to a national system, there have been a number of major national developments effecting the administration of the VET system. These include:

- the establishment, in 1995, of the *Australian Qualifications Framework* (AQF) under which all VET courses meet national industry training standards;

- the development (since 1996) and introduction (since 1999) of competency based *National Training Packages* which provide the standards for industry specific competence and a nationally consistent approach to the recognition of skills;

- the establishment in 1998 of the *Australian Recognition Framework* (ARF). The ARF established procedures for the registration of training organisations, assessment of competency outcomes and the issuing of qualifications;

- the establishment in 2001 of the *Australian Quality Training Framework* (AQTF). The AQTF replaced the previous ARF; and

- collection of national data was facilitated through the Australian Vocational Education and Training Management Information Statistical Standard (AVETMISS), established in 1994 to provide a nationally consistent standard for the collection and analysis of VET information. As a consequence data relating to 1993 and earlier is not directly comparable to data for 1994 and beyond.
Since the establishment of the national VET system there have been two national strategies implemented through the Australian National Training Authority with each setting the parameters for Commonwealth resource allocation according to the negotiated training priorities: Towards a Skilled Australia (1994-1998) and A Bridge to the Future (1998–2003). The third national strategy, for the period 2004–2010, Shaping our Future, has in principle agreement from Ministers (at the time of writing this report). During this period, there has been an increase in Commonwealth funding, agreement by states to achieve greater efficiencies and increase output and a significant expansion of apprenticeships and traineeships including industry coverage. A recent development has been an increase of VET in Schools that contributes to around 10 per cent of the current volume of VET.

In the states there have been parallel reforms, to varying degrees during the 1990s, to open up VET provision to private providers competing for clients alongside the public TAFE system; the introduction of greater levels of autonomy in decision-making and revenue raising at the institute level; and structural changes such as the amalgamation of TAFE institutions to achieve critical mass. A separation between the Government as the purchaser of training and the role of the institute as the provider of training was also introduced in many jurisdictions and greater competition was introduced among providers in the training market.

A core theme was to develop a training market to achieve greater responsiveness to industry — a demand driven approach rather than supply driven — and establish structures where VET is delivered in more flexible ways in the workplace. The rationale for these reforms was that focussing on improving the demand signals between VET providers, industry and individual clients would be more effective. The idea of ‘user buying’ or User-Choice was introduced for apprenticeships and traineeships in some jurisdictions to enable employers and apprentices to jointly decide where training would be undertaken and hence where the public funds for that training would flow. The choice was not only location but also between private and public providers.

A snapshot of VET administration at the state level is provided below (Box 2.1). Recent developments in a number of states have been focussed on winding back the degree of competition, which was previously encouraged among TAFE institutes, to promote greater collaboration. This particularly applies in the smaller states. Competition has also been wound back in some jurisdictions to ensure the growth of enterprises’ use of private providers in the user choice system does not affect the viability of the public TAFE provision.
While state jurisdictions make adjustments to national arrangements to be responsive to their local context, a consequence is that national enterprises can experience these differences as idiosyncratic, unwarranted and costly. The difference in the implementation of User-Choice for example, inhibits a smooth whole-of-company approach to entry-level training in national enterprises. Compliance with the different trade licensing requirements in each State and Territory results in unnecessary additional costs borne by the public and private sectors.

There is increasing attention being paid to the needs of the knowledge economy and innovation and the development of strategies to anticipate the skill demands of the post-industrial environment. Ways to resource the VET sector, upgrade infrastructure and ensure a well-trained TAFE workforce are three of the current concerns in most jurisdictions. The viability of the VET sector is inextricably tied to the character and viability of its local economy. In those locations where economic structural change is occurring, the VET sector is also struggling to determine its purpose and role.

Box 2.1

SNAPSHOT: STATE VET CHARACTERISTICS

**New South Wales**
A modest approach to competitive funding; limited application of user-choice for apprenticeships; amalgamation of Colleges into large multi-campus institutes; and centralised administration rather than devolution to the institute level.

**Victoria**
Along with Queensland, the most competitive framework for funding (current cap on user-choice); high level of devolution of administration to TAFE institutes; institutes have significant revenue raising capacity; and strengthened role of multi sector institutes.

**Queensland**
Significant devolution to TAFE institutes; amalgamations to form larger institutes; application of user-choice and competitive purchasing; recent government intervention to remedy structural deficits and decline of revenue.

**Western Australia**
TAFE institutes are independent statutory authorities; strong separation of government as purchaser of training and institutes as providers; a recent government reform encourages greater collaboration among institutes due to the smaller market for training.

**South Australia**
Autonomous and innovative TAFE institutes; high level of entrepreneurial activity has been encouraged; current concerns arise from the narrowing economic base.

**Tasmania**
TAFE institute under a single statutory authority that reports to the minister; innovative approaches in a small market.

The policy and administrative developments seen in the Australian VET sector in recent years can be placed in a broader context when key international trends in the provision of VET are considered. In 1999, the International Labour Organisation (ILO) identified a ‘paradigm shift’ (see Table 2.1) in the approach being taken to VET in industrialised countries. The changes that have occurred in Australia are broadly consistent with the kind of changes seen around the OECD countries and that the ILO has highlighted.
Table 2.1

THE CHANGING NATURE OF VET IN INDUSTRIALISED COUNTRIES

<table>
<thead>
<tr>
<th>Old Paradigm</th>
<th>New Paradigm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply driven approach</td>
<td>Search for demand driven approaches</td>
</tr>
<tr>
<td>Training for employment</td>
<td>Learning for employability</td>
</tr>
<tr>
<td>In-service training</td>
<td>Concept of continuing life-long learning</td>
</tr>
<tr>
<td>Training and focus on the teacher/trainer</td>
<td>Self-learning and focus on the learner</td>
</tr>
<tr>
<td>One-time learning</td>
<td>Continuing recurrent life-long learning</td>
</tr>
<tr>
<td>Education and training separated</td>
<td>Education and training integrated</td>
</tr>
<tr>
<td>Specialisation in one skill</td>
<td>A search for multi-skilling</td>
</tr>
<tr>
<td>Skill recognition based on training period and examination</td>
<td>Recognition based on competency and prior learning</td>
</tr>
<tr>
<td>Rigid and fixed entry and exit</td>
<td>Flexible and multiple entry and exit</td>
</tr>
<tr>
<td>Focus on formal sector</td>
<td>Recognition of the need to focus both on formal and informal sectors</td>
</tr>
<tr>
<td>Training for wage employment</td>
<td>Training for wage and self-employment</td>
</tr>
<tr>
<td>Centralised system</td>
<td>Decentralised system requiring both strong national and decentralised institutions</td>
</tr>
<tr>
<td>Policy and delivery dominated by state</td>
<td>Policy and delivery separate, market-driven</td>
</tr>
<tr>
<td>Governance dominated by the state</td>
<td>Participatory governance, recognition of multiple actors, social dialogue</td>
</tr>
</tbody>
</table>


2.2 Categories of providers

Within the VET sector there are three broad categories of VET providers used for the purpose of data gathering and reporting. These are:

- TAFE and other public/government providers;
- community education providers; and
- other registered providers.
Unfortunately, analysis of the data for community education providers and other registered providers is complicated by inconsistent classifications across different States and Territories and a lack of disaggregation within these categories.¹⁵

It is also important to note that official statistics are gathered and reported only for VET providers that receive some public funding. This excludes private providers, such as some companies that are Registered Training Organisations and provide training for their own staff and private training providers that operate purely on a fee for service basis, from the official data relating to the VET system.

Based on an ABS survey conducted in 1996, ANTA reported industry spent a total of $3.74 billion on VET — approximately 45 per cent of total system expenditure. ABS data for 2001-2¹⁶ show that the net direct expenditure by industry on structured training increased by 52 per cent in nominal terms which is around a 33 per cent increase in real terms over five years. (Adjustments were made to the measurement of expenditure to exclude indirect costs and subsidies with the result that the comparable 1996 industry expenditure was around $2.4 billion.)

Given the relatively low level of industry funding incorporated in the official VET statistics, this suggests that the activities of private training providers who do not receive public funding are considerable even though they are not included in the official statistics.

Table 2.2 below sets out the number of providers in each State and Territory for the years 1998 and 2001 under four provider categories, with VET in Schools Providers being distinguished from Private Providers where possible.

As the table demonstrates, while the number of TAFE and other government providers and community education providers has declined marginally there has been very significant increase in the number of VET in School Providers and Private Providers since 1998. The dramatic increase in the number of Other Registered Providers has been accompanied by similarly strong growth in the number of training hours delivered by this category of providers. (There are no disaggregated data regarding the number of enterprise RTOs and no data relating to VET providers that do not receive public funding.) Section 2.4 sets out the growth in student activity in detail.

---

¹⁵ Of particular concern are that in Victoria schools providing VET in schools are listed as Community Education Providers (whereas they are listed as Other Registered Providers in other jurisdictions) and that the data for Other Registered Providers does not sufficiently disaggregate between the activities of Private Providers, defined as organisations that provide VET to individuals and industry on a fee paying basis (data only collected for providers that also receive public funds) and non-Victorian providers of VET in schools.

Table 2.2 also illustrates the variance in the balance of providers in each category between States and Territories. For instance, the growth in the number of private providers has been particularly strong in Queensland and Victoria (relative to NSW for instance) as a result of moves to open up the training market in these States.

Table 2.2

<table>
<thead>
<tr>
<th>PROVIDERS OF VET BY CATEGORY AND STATE/TERRITORY: 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TAFE and Other Govt Providers</strong></td>
</tr>
<tr>
<td>NSW</td>
</tr>
<tr>
<td>VIC</td>
</tr>
<tr>
<td>QLD</td>
</tr>
<tr>
<td>WA</td>
</tr>
<tr>
<td>SA</td>
</tr>
<tr>
<td>TAS</td>
</tr>
<tr>
<td>NT</td>
</tr>
<tr>
<td>ACT</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

* Includes Victorian schools offering VET
** Figures for Providers of VET in Schools not available for a number of jurisdictions
*** May include VET in Schools providers for a number of jurisdictions


2.3 **The qualifications framework and training content**

The two most significant developments in recent years regarding the qualifications framework and training content for VET have been:

- the establishment, in 1995, of the Australian Qualifications Framework (AQF); and

- the development (since 1996) and introduction (since 1999) of competency based National Training Packages.

**The AQF**

The AQF is designed to bring all post compulsory education and training qualifications into one national system of qualifications and to promote greater articulation within and between the qualification levels offered through the school, VET and university systems. For instance, in 2001, of those TAFE graduates that went on to undertake university studies (11.3 per cent of TAFE graduates), 49.1 per cent received some recognition for prior learning relating to their previous TAFE studies.
Table 2.3 sets out the different qualification levels within the AQF and the percentage of TAFE and university graduates by level of qualification achieved in 2001. This table highlights that there is a clear division between the TAFE and University sectors in relation to qualification levels that they provide training for. The relatively low proportion of TAFE graduates completing diploma, associate and advanced diplomas (and the fact that very few University Graduates undertake studies at this level) suggests that there is currently very little overlap (in terms of qualification levels) between the education and training provided within the VET and higher education sectors.

### Table 2.3

<table>
<thead>
<tr>
<th>Qualification Level</th>
<th>TAFE Graduates</th>
<th>University Graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honours bachelor's degree</td>
<td>-</td>
<td>11.9</td>
</tr>
<tr>
<td>Pass bachelor's degree</td>
<td>-</td>
<td>87.2</td>
</tr>
<tr>
<td>AQF diploma, associate &amp; advanced diploma</td>
<td>17.6</td>
<td>0.9</td>
</tr>
<tr>
<td>AQF Certificate IV &amp; equivalent</td>
<td>10.8</td>
<td>-</td>
</tr>
<tr>
<td>AQF Certificate III &amp; equivalent</td>
<td>38.8</td>
<td>-</td>
</tr>
<tr>
<td>AQF Certificate II</td>
<td>23.8</td>
<td>-</td>
</tr>
<tr>
<td>AQF Certificate I</td>
<td>7.7</td>
<td>-</td>
</tr>
<tr>
<td>Other certificates</td>
<td>1.4</td>
<td>-</td>
</tr>
</tbody>
</table>

*Source: NCVER (2002), Statistics 2001, TAFE and University Graduates 15 – 24 years*

It is important to note, however, that fewer TAFE students (130,000 in 2001) complete a full AQF qualification than students (230,000 in 2001) who complete one or more modules/units of competency and then leave TAFE institutions without completing a full AQF qualification. This suggests that the studies of a clear majority of students are not resulting in the achievement of a formal qualification — which is needed in order to achieve articulation through the AQF qualification levels. This may be due either to deliberate student choice to undertake only modules or to unintentional factors such as student course failure and unplanned student drop out of courses.

A 2002 study of the benefits of modular study in VET\(^\text{17}\) found that over 40 per cent of VET students appear to be primarily (deliberately) module rather than full course oriented, in that they are taking only one or two modules in a given year.

\[^{17}\text{NCVER (2002), The benefits of modular study in VET}\]
Enrolment data shows that module students are on average older than course enrolment students, more likely to be female and more likely to have completed Year 12 schooling. The share of students in the Adult and Community Education sector are particularly likely to be module students. While both module and course VET students are likely to be primarily motivated by vocational goals, module students are more likely to be seeking to gain extra skills for their present job, rather than seeking skills to obtain a new job.

The employment, pass rates and student satisfaction outcomes associated with module completers appear to be quite similar to those for course completers — suggesting that modular study has valuable outcomes for students. The major attractions of modular study for students appears to be flexibility and the fact that students can access just the amount and type of training that they believe they require. The solid outcomes associated with modular study suggest that it may provide a flexible and cost effective (when compared to course/qualification focused study) way to meet the skilling needs of lifelong learners.

The move to competency based modules of study is seen to have encouraged growth in modular study patterns. Similarly, the growing (but still relatively low) availability of flexible delivery options — especially the use of online systems (in combination with traditional delivery methods) for self-paced learning — has encouraged modular study patterns.

However, a survey of VET students in 2000\(^\text{18}\) indicated that students accessing training through traditional delivery methods are more likely (than those accessing training through flexible delivery options) to indicate that they had chosen the traditional delivery method because it was the only delivery option offered. Information regarding what percentage of all VET modules/units of competency can be flexibly accessed would be of interest in assessing how much training delivery flexibility has been incorporated into the VET system. It would also be of interest to compare the degree of delivery flexibility offered by private training providers and public TAFE providers respectively.

The increased availability of flexible module delivery options — such as the incorporation of online training delivery approaches — and the specific analysis on the needs of module completers and the outcomes achieved by these students would appear to be needed.

\(^{18}\) NCVER (2000), *The effects of different modes of delivery*
National training packages

In 1996 ANTA initiated the development of National Training Packages across a wide range of industry and subject areas. Each training package describes competencies, assessment guidelines and qualifications for a particular industry or enterprise. The development of the Training packages incorporates input from both training providers and employers and unions. They build on the move to competency based training (as opposed to time-based training) that began in the early 1990's. Prior to then, the content of VET courses was largely developed by individual training providers.

The training packages allow students to complete one or more units of competency that may lead to the attainment of a nationally recognised qualification. The first set of Training packages were introduced in 1999, with 150,000 students (9 per cent of all VET students) being enrolled in 36 training packages. The adoption of Training packages has grown very significantly in subsequent years. In 2001 630,400 students were enrolled in 64 training packages (35.9 per cent of all students) and for the first time the number of units of competency acquired through Training packages exceeded the number of assessed modules undertaken using all other recognised training products. Skill outputs achieved through use of Training packages appear to be rapidly displacing other training products.

Table 2.4 sets out the number of units of competency that were attained in 2001 under each of the parent industry sector training package classifications. The introduction and uptake of new training packages appears to be heavily concentrated in the services sector. Hospitality, Administration, Information Technology and Community Services together accounted for 55 per cent of all competency units attained through use of Training packages in 2001.

There is currently an ANTA commissioned review of training packages due to make final recommendations on a range of issues in 2004.

---

19 One criticism of the training packages is that they are predominantly designed on an industry basis, which works on the assumption that the sector is composed of homogenous groups of enterprises that use the training packages. As training occurs in enterprises not in industries, there is criticism that provision is not made for the different locations, attitudes, size and ability to implement the training package requirements. To reach individuals, the Training packages must often first be modified by enterprises and they need highly accessible and flexible training guidance.

20 High Level Review of Training Packages: see www.anta.gov.au
Table 2.4
UNITS OF COMPETENCY ATTAINED BY TRAINING PACKAGE
CLASSIFICATION: 2001

<table>
<thead>
<tr>
<th>Training package</th>
<th>Units of competency attained (‘000)</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital industry</td>
<td></td>
<td>343.6</td>
<td>559.8</td>
<td>903.9</td>
<td>19.6</td>
</tr>
<tr>
<td>Administration</td>
<td></td>
<td>93.2</td>
<td>554.4</td>
<td>648.5</td>
<td>14.1</td>
</tr>
<tr>
<td>Information technology</td>
<td></td>
<td>375.2</td>
<td>175.7</td>
<td>551.0</td>
<td>11.9</td>
</tr>
<tr>
<td>Community services</td>
<td></td>
<td>42.4</td>
<td>396.1</td>
<td>438.9</td>
<td>9.5</td>
</tr>
<tr>
<td>Retail</td>
<td></td>
<td>71.8</td>
<td>139.7</td>
<td>216.5</td>
<td>4.7</td>
</tr>
<tr>
<td>Horticulture</td>
<td></td>
<td>147.3</td>
<td>51.1</td>
<td>198.7</td>
<td>4.3</td>
</tr>
<tr>
<td>Metal and engineering industry</td>
<td></td>
<td>173.6</td>
<td>5.0</td>
<td>178.8</td>
<td>3.9</td>
</tr>
<tr>
<td>Assessment and workplace training</td>
<td></td>
<td>73.6</td>
<td>81.0</td>
<td>155.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td>114.6</td>
<td>31.1</td>
<td>145.8</td>
<td>3.2</td>
</tr>
<tr>
<td>General construction</td>
<td></td>
<td>139.0</td>
<td>2.1</td>
<td>141.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Transport and distribution</td>
<td></td>
<td>125.8</td>
<td>14.0</td>
<td>140.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Automotive industry retail, service and repair</td>
<td></td>
<td>117.8</td>
<td>4.4</td>
<td>122.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Printing and graphic arts</td>
<td></td>
<td>53.7</td>
<td>32.3</td>
<td>86.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Financial services</td>
<td></td>
<td>20.3</td>
<td>54.9</td>
<td>75.2</td>
<td>1.6</td>
</tr>
<tr>
<td>Food processing industry</td>
<td></td>
<td>43.2</td>
<td>29.1</td>
<td>72.4</td>
<td>1.6</td>
</tr>
<tr>
<td>Telecommunications</td>
<td></td>
<td>24.4</td>
<td>47.3</td>
<td>72.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Asset management</td>
<td></td>
<td>33.1</td>
<td>35.9</td>
<td>69.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Tourism</td>
<td></td>
<td>14.2</td>
<td>54.5</td>
<td>68.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Asset security</td>
<td></td>
<td>53.7</td>
<td>9.4</td>
<td>63.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Australian meat industry</td>
<td></td>
<td>30.6</td>
<td>9.7</td>
<td>40.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>111.4</td>
<td>111.8</td>
<td>223.7</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,202.6</td>
<td>2,399.3</td>
<td>4,611.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Australian Quality Training Framework

The Australian Quality Training Framework (AQTF) is a set of nationally agreed standards for quality assurance of vocational and educational training services in Australia. The AQTF evolved from the original Australian Recognition Framework and mid 2001 Ministers renamed the Framework to the AQTF. The name was changed to reflect the increased emphasis being placed on quality.
There are two sets of standards under the AQTF:

- Standards for Registered Training Organisations (RTOs) that specify what an RTO must do to be compliant with the AQTF such as:
  - having systems in place to provide quality training and assessment across all of its operations;
  - complying with Commonwealth and State or Territory legislation; and
  - having effective financial and administrative management procedures.
- Standards for State and Territory registering and course accrediting bodies which must be followed by the respective authorities when:
  - evaluating training organizations to ensure they meet the standards set for RTOs;
  - accrediting courses; and
  - implementing mutual recognition to ensure national effect.

Large enterprises that seek to be RTOs must comply with the AQTF in the same way as all other vocational education and training providers.

### 2.4 Scale of sector operations

The publicly funded VET sector in Australia has undergone a period of significant growth over the past decade. Changes in student activity levels, revenue and expenses levels are discussed below. Where possible comparable data for 1997 and 2001 has been analysed.

#### Student activity rates

Between 1991 and 2001 the number of students involved in publicly funded VET increased by 77 per cent, from under 1 million to 1.76 million students, including 330,000 apprentices and trainees and 170,000 students participating in VET in schools.

A number of key messages can be drawn from the available student activity data. These include:

- growth in training activity, whether measured by student numbers, modules/units of competency or training hours, has been increasing strongly;
- growth in the number of modules/units of competency and in annual hours of training both exceed the growth in the number of students — indicating that the number of modules/units of competency and hours of training per student are both increasing overall (although growth in hours of training in TAFE and other Government providers was slightly lower than growth in student numbers); and
• growth in share of the VET system delivered by other registered providers has been very high — 19.1 per cent of all modules/units of competency are now delivered by this category of providers.

As Table 2.5 illustrates, between 1997 and 2001 strong growth occurred (although not uniformly) in student numbers, course module enrolments and training hours.

Table 2.5

<table>
<thead>
<tr>
<th>TOTAL TRAINING ACTIVITY BY PROVIDER TYPE: 1997 AND 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Clients</strong></td>
</tr>
<tr>
<td>(`000)</td>
</tr>
<tr>
<td>TAFE and other Govt Providers</td>
</tr>
<tr>
<td>Community Education Providers</td>
</tr>
<tr>
<td>Other Registered Providers</td>
</tr>
<tr>
<td>Total training activity</td>
</tr>
</tbody>
</table>

| **Module/Unit of Competency enrolments:** | **1997** | **2001** | **1997 – 2001** |
| (`000) | (%) total | (`000) | (%) total | (% change) |
| TAFE and other Govt Providers | 8,738.7 | 88.4 | 10,426.1 | 77.3 | +19.3 |
| Community Education Providers | 365.6 | 3.7 | 492.7 | 3.7 | +34.8 |
| Other Registered Providers | 776.5 | 7.9 | 2,572.5 | 19.1 | +231.3 |
| Total training activity | 9,880.7 | 100.0 | 13,491.3 | 100.0 | +36.5 |

| **Annual training hours:** | **1997** | **2001** | **1997 – 2001** |
| (`000,000) | (%) total | (`000,000) | (%) total | (% change) |
| TAFE and other Govt Providers | 272.0 | 90.0 | 306.2 | 81.1 | +12.6 |
| Community Education Providers | 11.0 | 3.7 | 12.7 | 3.4 | +15.5 |
| Other Registered Providers | 19.2 | 6.3 | 58.7 | 15.4 | +205.7 |
| Total training activity | 302.2 | 100.0 | 377.6 | 100.0 | +25.0 |


Figure 2.1 sets out the age profile of VET students. It illustrates that there has been a relative increase in participation at either end of the age spectrum, with students 19 years and younger and students 50 years and older both increasing as a share of the overall student population. The recent increase in the number of new apprenticeships and the growth in participation in VET in schools may explain the relative growth in participation among young students, while trends to life-long learning may account for relatively greater participation by older students.
The Vocational Education and Training System – Key Issues for Large Enterprises

Figure 2.1

AGE DISTRIBUTION OF VET STUDENTS: 1996 AND 2001

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1996</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>19 and under</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>20 - 29</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>30 - 39</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>40 - 49</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>50 and over</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: ABS (2002), 4230.0, Education and Training Indicators

Public VET provider revenues and expenses

The financial data considered below relates only to VET administered or provided by TAFE, ANTA and other public VET Providers. As the share the VET system delivered by private providers increases, this data limitation will begin to impose greater restrictions on assessing the financial performance of the publicly supported VET system.

Revenue profile

A number of key messages can be drawn from the available VET revenue data. These include:

- the revenue figures reported (see Table 2.6) are nominal. Therefore, in real (inflation adjusted) terms, revenues of public VET providers showed no increase during the 1997 to 2001 period;

- State Government funding continues to make up the majority (56.7 per cent) of revenue for public VET providers with its share as a revenue source actually increasing slightly since 1997 (when it was 56.1 per cent);

- Commonwealth Government revenue fell sharply after 1997 to $835 million in 2000. However, under the 2001–2003 ANTA Agreement, a significant funding increase by the Commonwealth Government was agreed which sees Commonwealth funding exceed $1,000 billion per annum in 2003;

- funding for capital projects comes from the Commonwealth (approximately 55 per cent) and State/Territory Governments (approximately 45 per cent). Capital funding of approximately $320 million was provided in both 1997 and 2001;

- fees for service grew strongly between 1997 and 2001, exceeding 10 per cent of total revenue for the first time. While data was not available, the corresponding figure for private providers would be expected to be significantly higher than this;
student fees and charges, while showing growth, continue to represent a very small share (4.4 per cent) of total revenue. This figure is very low when compared to the percentage of revenue that Universities generate from student fees and charges (approximately 30 per cent) either directly or through student contributions to HECS; and

- growth in training activity between 1997 and 2001, whether measured by student numbers (+20.4 per cent), modules/units of competency (+36.5 per cent) or training hours (+25.0 per cent), has been increasing far more strongly than operating revenues.

Table 2.6 sets out the operating revenues for public VET providers.

<table>
<thead>
<tr>
<th>PUBLIC VET PROVIDER OPERATING REVENUES: 1997 AND 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1997 ($m)</strong></td>
</tr>
<tr>
<td>State Government</td>
</tr>
<tr>
<td>Commonwealth Government</td>
</tr>
<tr>
<td>Fee for service</td>
</tr>
<tr>
<td>Student fees and charges</td>
</tr>
<tr>
<td>Ancillary trading and other*</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

* Includes amounts received for miscellaneous services, special projects, sales of materials, hospitality trading activities and contracting fees for commercial rather than training related activities.


It is important to note that the aggregated national data does obscure some important difference in the structure of sector revenues in different States and Territories. For instance, in 2001, in NSW 84.6 per cent of recurrent revenue came from Government (62.9 per cent State and 21.7 per cent Commonwealth) whereas in Victoria 67.7 per cent of revenue came from government (49.7 per cent State and 18.0 per cent Commonwealth). However, the gap in reliance on public funding narrowed between 2000 and 2001, as in Victoria State Government funding increased by $50 million whereas in NSW it fell by $58 million. In NSW, fee for service revenue accounted for only 6.3 per cent of sector revenue whereas in Victoria it accounted for 21.1 per cent of revenue. These differences in funding sources may reflect the fact that the VET sector in NSW appears to be largely centrally planned whereas in Victoria there has been greater movement towards the introduction of market mechanisms.

21 HECS is currently calculated in three bands with student HECS debt accruing at rates of between $3,600 and $6,000 per annum dependent on which band the course falls into.

22 Interestingly, in Queensland, despite the strong growth in the number of non-TAFE providers in recent years and the introduction of market mechanisms for allocation of public funding, in terms of revenue sources the sector remains very reliant (85.6 per cent) on Government funding (62.7 per cent State and 22.9 per cent Commonwealth).
Expenses profile

A number of key messages can be drawn from the available VET expenses data. These include:

- the expenses figures reported (see Table 2.7) are nominal. Therefore, in real (inflation adjusted) terms, expenses of public VET providers showed no increase during the 1997 to 2001 period.

- that overall, operating expenses have increased slightly faster than operating revenues since 1997 (10.2 per cent versus 9.3 per cent) and that operating expenses exceed operating revenues by 5.3 per cent. However, net assets for the sector reached $5,948 million in 2001, up $155 million on the previous year, indicating that the value of assets controlled by the sector increased faster that sector liabilities for the year. This result was largely due to upward revaluations of TAFE owned land and buildings;

- expenditure on capital projects was $321 million in 2001, compared to $343 million in 1997;

- payments to non-TAFE providers for VET delivery (in effect outsourcing service provision) have grown very strongly since 1997, reflecting the increased involvement of non-TAFE providers within the VET system;

- growth in training activity between 1997 and 2001, whether measured by student numbers (+20.4 per cent), modules/units of competency (+36.5 per cent) or training hours (+25.0 per cent), has been increasing far more strongly than operating expenses, suggesting a reasonably sharp decrease in resources allocated per student.

Table 2.7 sets out the operating expenses for public VET providers.

<table>
<thead>
<tr>
<th></th>
<th>1997 ($m)</th>
<th>2001 ($m)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee costs</td>
<td>2,456.9</td>
<td>2,629.8</td>
<td>+7.0</td>
</tr>
<tr>
<td>Supplies and services</td>
<td>894.5</td>
<td>979.0</td>
<td>+9.4</td>
</tr>
<tr>
<td>Grants and subsidies*</td>
<td>197.3</td>
<td>178.6</td>
<td>-9.5</td>
</tr>
<tr>
<td>Payments to non-TAFE providers for VET delivery</td>
<td>175.7</td>
<td>318.7</td>
<td>+81.4</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>229.1</td>
<td>251.8</td>
<td>+9.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,953.6</strong></td>
<td><strong>4,357.9</strong></td>
<td><strong>+10.2</strong></td>
</tr>
</tbody>
</table>

* Grants and subsidies are generally in the form of non-repayable contributions and subsidies to individuals and organisations for VET expenditures other than delivery. For example these include expenses such as travel expenses for apprentices, aboriginal program assistance, VET initiatives such as skills centres and contributions to national projects.

As is the case with revenue data, aggregated national expenditure data does obscure some important differences between States and Territories. For instance, in 2001, in NSW employee costs make up 66.6 per cent of expenditures whereas in Queensland and Victoria the figures are 56.8 per cent and 58.8 per cent respectively. In NSW payments to other non-TAFE providers make up a lower share of expenditure (5.2 per cent) than in States such as Queensland (11.0 per cent) and Victoria (8.7 per cent) where the emergence of a training market and the entrance of private providers has been more actively encouraged.

In terms of expenditure by activity category, expenditure is recorded against four key activities:

- delivery provision and support — between 1997 and 2001, expenditure as a percentage of total expenditure remained stable at 68.3 per cent;
- administration and general services — expenditure fell to 17.9 per cent from 20.5 per cent;
- property, plant and equipment services — expenditure increased to 10.2 per cent from 5.9 per cent; and
- student services and other services — expenditure fell to 3.7 per cent from 5.3 per cent.

2.5 Sector performance against key performance measures

There are eight key performance measures (KPM) used by ANTA for assessing performance within the publicly funded VET system (includes TAFE and other providers receiving public funding). These measures, and a brief summary of recent reported performance against these measures, are set out below.

Overall, the message from the most recent reporting against the KPMs is that the while the level of student activity has been increasing strongly, in terms of performance against equity and quality measures the publicly funded VET system’s performance has remained relatively stable over the past couple of years. Based on reported performance against each of the KPMs, the performance of the sector can be described as ‘adequate’ rather than ‘excellent’.

**KPM1: Skill outputs produced annually within the domain of formally recognised VET.**

Overall participation levels have stabilised (total of 1.76 million students in 2001) while both New Apprenticeship numbers (up 12 per cent from previous year to 320,000, with 57 per cent of these students being in the 15–24 age group) and total training hours (up 13.5 per cent from previous year to 377.6 million hours) continued their strong growth rates.

---

The raw number of skill outputs (measured in number of assessed skills acquired) reached almost 8 million, up 8 per cent on the previous year.

The adoption of training packages increased significantly to over 4 million competency units, up 50 per cent on the previous year. Training packages are increasingly replacing assessed modules completed through other recognised training products.

Pass rates have remained stable at approximately 75 per cent since 1999. Over two-thirds of students completed all or nearly all of their training units during the year.

In terms of completions by qualification level, data has been reported for the first time. 37 per cent completed qualifications below AQF Certificate 3 level, 32 per cent completed qualifications at AQF Certificate 3 level and 31 per cent completed qualifications above AQF Certificate 3 level.

KPM2: Stocks of vocational education and training skills against desired levels.

Largely due to an influx of qualified younger workers into the labour force, Australian workers are becoming more qualified. While 46 per cent of the overall workforce holds non-school qualifications, the proportion of young adults, between 25 and 34, holding non-school qualifications is 58 per cent. As older workers with (on average) lower qualifications exit the workforce they are being replaced with workers with (on average) higher qualification levels — thus increasing average workforce qualification levels.

32 per cent of people in the workforce aged 25 to 64 hold VET qualifications as their highest level of qualifications however there is high variance between industry sectors.

The level of unmet demand for VET has continued to decline (based on ABS data derived from their annual Survey of Education and Work) — to 46,700 in 2001 compared to 54,300 in 2000.

KPM3: Employers' views on the relevance of skills acquired through VET.

ANTA has conducted a national Survey of Employer Views on VET biannually since 1995. Surveys of employers suggest that overall satisfaction with VET graduates is reasonably high and has remained so since 1997, however satisfaction does vary across industries and shows a small overall decline since 1997. The skills of graduates were more likely to be seen as appropriate by employers in the communications services, education and health and community services industries than in the mining and manufacturing industries. Small business satisfaction levels are more polarised between high satisfaction and dissatisfaction than is the case for larger businesses.

Employers of recent VET graduates who felt the system was providing graduates with appropriate skills were more highly represented in the industries of communications services (90 per cent), education (80 per cent) and health and community services (78 per cent) and least highly represented in the mining (39 per cent, down from 83 per cent in 1999) and manufacturing (50 per cent, down from 70 per cent in 1997) industries.
The proportion of employers whose graduates were all or mostly trained in TAFE institutions has declined from 80 per cent in 1997 to 66 per cent in 2001 with a corresponding rise in the number of employees mainly trained by non-TAFE providers. Slightly higher employer satisfaction has been reported for VET graduates of non-TAFE institutions (85 per cent satisfied or very satisfied, down from 86 per cent in 1999) than VET graduates from TAFE institutions (79 per cent satisfied or very satisfied, down from 82 per cent in 1999).

Higher employer satisfaction has also been reported in relation to both appropriateness of skills and quality of skills for VET graduates of non-TAFE institutions (75 per cent believe graduates have appropriate skills and 91 per cent satisfied or very satisfied with skill quality) than for VET graduates from TAFE institutions (65 per cent believe graduates have appropriate skills and 82 per cent satisfied or very satisfied with skill quality).

Students’ oral communication skills (76 per cent of employers satisfied with graduates’ skills in this area) and practical job skills (75 per cent of employers satisfied with graduates’ skills in this area) were rated as of a higher standard than students’ problem solving skills (with 68 per cent of employers satisfied with graduates’ skills in this area).

The number of employers engaging recent VET graduates has increased from 63,000 in 1995 to 126,500 in 2001 (out of a pool of 432,000 total employers).

KPM4: Student employment outcomes and prospects before and after participation in VET.

Fewer students (130,000) complete a full qualification than students (230,000) who complete one or more modules of units of competency and then leave TAFE institutions.

The successful completion of training enhances employment outcomes, particularly for those who were previously unemployed or employed on a casual basis. Students already in permanent employment tend not to change their employment after their VET training.

KPM5: VET participation, outputs and outcomes achieved by specific client groups (women, people in rural and remote areas, Aboriginal and Torres Strait Islander people, people with a disability and people from non-English speaking backgrounds).

Women participate (49 per cent of all students) and achieve (76.1 per cent pass rates versus 74.8 per cent for men) similarly to men but their employment outcomes (70 per cent employed post training versus 77 per cent for men) are lower than for men (mainly due to higher non-participation in the labour force, 17 per cent versus 11 per cent for men).

\[25\]

It is worth noting that together these special groups include over 75% of all VET students.
People in rural and remote areas had participation (36 per cent of all students), pass rates and employment rates similar or better than those for all students.

4 per cent of all VET students were Aboriginal and Torres Strait Islander people. Their pass rates (62 per cent versus 76 per cent) and employment outcomes (63 per cent versus 73 per cent) are lower than those for all students.

Participation in VET by people with a disability (4.5 per cent of all students) remains relatively low. Those that do participate have lower pass rates (67 per cent versus 76 per cent) and employment outcomes (43 per cent versus 73 per cent) than those for all students.

12 per cent of all VET students come from a non-English speaking background. Their pass rates (70 per cent versus 76 per cent) and employment outcomes (~55 per cent versus 73 per cent) are lower than those for all students.

KPM6: (Actual) public expenditure per publicly funded output.

KPM7: (Actual) public expenditure per total recognised output.

Findings for KPMs 6 and 7 are jointly reported.

Efficiency appears to be improving, however performance across different States and Territories is variable and continued further improvements may not be sustainable in some jurisdictions.

Unit cost per hour of publicly funded VET was $12.40 (a 5.3 per cent improvement on 2000), since 1997 efficiency performance nationally has improved by 16.3 per cent. Victoria reported the lowest unit cost ($10.80 per hour) and the Northern Territory the highest ($19.70). Unit costs between 2000 and 2001 increased in Victoria, WA, but decreased in all other States and Territories.

The methodology for efficiency performance reporting appears to be currently under some review. This is timely, given that the above measure simply reflects the fact that student growth is outstripping revenue growth within the sector. Unless the quality of outputs can be accurately assessed, it is unclear whether a falling cost per hour of training reflects a productivity improvement or whether it may be associated with falling quality. Ideally, productivity assessment requires measurement of unit cost per output where the output figure is a true reflection of both the quantum and quality of training delivered.

---

26 Definitional issues could be the real problem here and more investigation would be needed to verify the suggestion that those with disability are under-represented in the VET system. The definition of disability used by VET – “permanent or significant disability” – is different from that used for general disability statistics for the wider population which may also include those with “mild to moderate disability”.

The Allen Consulting Group
**KPM8: Total expenditure on VET.**

A consolidated measure of total expenditure on VET by Governments, individuals and enterprises is not available however the ABS is working in this area and initial results are expected during 2003.

ABS data does indicate that individual participation in VET is increasing but that these people are less likely to be self-funding. Expenditure by both Governments and enterprises appears to be increasing.

In relation to data quality, the Australian Bureau of Statistics, through its National Centre for Education and Training Statistics (established in 2000), is currently in the process of preparing *Measuring Learning in Australia: Plan to improve the quality, coverage and usage of education and training statistics*. At this stage it appears that the Plan will be going through various approval processes during the first half of 2003. The ABS is also conducting an employer-based Training Expenditure and Practices Survey at the request of ANTA. Initial results from this survey are expected in April 2003.
Part Two
Enterprises and the VET Sector
Chapter Three

Ten Case Studies: Skill Development and the Interface with the VET Sector

**Key Points**

Ten case studies found that a significant transformation in the skill development needs of enterprises is occurring as business tackles the challenges of the global marketplace, rapid technological change and increasingly sophisticated customer needs. Without exception, companies see skill development as integral to achieving high performance in the workplace. It is organised nationally and integrates training provision from entry level to higher education and for the shop floor to senior executives.

Historically, industrial agreements have played a major role in determining the pattern of industry training but now companies are increasingly driving training decisions from a whole-of-company perspective. There is an increasing focus on aligning training strategy with business strategy and ensuring the skills for growth are available to the company. One consequence of this alignment is that technical skills are being packaged with generic skills.

In the manufacturing, construction and resources sectors, there is a long history of operational and technical training. Changes in the nature of the workplace now call for the addition of the so-called ‘softer’ skills like communication, teamwork and leadership and the use of information technology.

In the service and retail sectors there are relatively low levels of post–secondary education in many areas of the workforce. The strongest drivers for skill development are product and service quality and ensuring service conforms to company standards and provides a competitive advantage.

The enterprises, in implementing their human resource and training strategies are using the formal VET system of training packages, Australian Qualifications Framework (AQF) and VET providers to varying degrees. Three are enterprise RTOs for all of their training. The majority have a hybrid model that mixes enterprise RTO status, external provision and in-house training. Two have decided not to be RTOs and instead pursue innovative structural arrangements with external RTOs and like-minded enterprises.

In a few of the enterprises, the AQF and training packages serve as a useful guide to the inventory of skills needed in their sector. Mostly however, enterprises identified the gaps in the training packages and the slow process of keeping them up-to-date with industries’ rapidly developing skill needs. The AQF tended to be valued by enterprises more as a motivational device for employees than for the actual information about the qualifications attained.
Issues to resolve in the short term include:

- Large enterprises consider that their skill development requirements are not adequately understood and reflected in overarching VET policy.
- Enterprises value training in soft skills/employability skills and consider that these areas are not given sufficient emphasis in training packages.
- Enterprises want training closely tailored to their workplace needs.
- Administrative barriers restrict innovative approaches, such as multi-institutional and company partnerships, which can stimulate new training models.
- Registration for large enterprises as RTOs is cumbersome and often redundant considering their global standards.
- Inconsistencies in state-based standards and regulations create inefficiencies.

3.1 Background

To better understand the skill development priorities and training practices of large enterprises, brief case studies were conducted in ten large enterprises from diverse sectors. The objectives were to explore companies’ skill development priorities, evaluate the degree to which their expectations of the VET sector are being met and to propose the broad parameters for future VET policy that would support the skill development transformation that is now occurring in business.

The case studies focussed firstly on the business context for skill development and the overall pattern of training that is occurring. Secondly, the case studies considered the connections between these enterprises and the VET sector, in particular the National Training Framework.

The companies studied were Alcoa, Boral Limited, Holden, Ford Australia, Telstra, Coles Myer, Australia Post, McDonalds, BHP Steel and The Commonwealth Bank of Australia.

The conclusion is that the policy framework, administrative systems and training practices of the VET sector fall far short of serving the complex skill development needs of large enterprises. A number of changes are called for in the short-term, such as recognising the credibility of large enterprises to be enterprise RTOs and packaging soft skills with technical skills in training packages. Beyond these procedural and administrative aspects, there are deeper conceptual issues that arise from the expanding skill development agenda of enterprises. Rapidly changing skill requirements, the need for heightened flexibility in how and when training is delivered, the intertwined nature of hard and soft skills are some of the factors pointing to the case for fundamental changes to the VET sector to align with new skill development paradigm in business.
3.2 Case studies

3.2.1 Alcoa

Context and characteristics of training

- Alcoa see themselves as a ‘values driven company’ where continued success will be through ‘its people’. A key feature of this strategy is a vigorous training and development strategy that covers all levels of the workforce.

- The high profile given to skill development through structured training across the total workforce is part of ‘everyday business’. Alcoa as a global company has global training protocols that Australian affiliates must meet. These standards consistently exceed VET standards — ‘TAFE staff are usually astounded by the standard of our training’.

- Alcoa has a comprehensive understanding of VET policies and the national training agenda and actively participates in state and national bodies advising on the policy and implementation of training. They are also engaged in extensive support of School-Based New Apprenticeships. Their high level involvement in providing public sector advice is a deliberate business strategy — ‘not only to help guide the training direction in this State, but … also ensure that all employees are at the cutting edge of training direction and innovation’.

27 Training expenditure is indicative. Companies do not always have aggregate figures and expenditure can be calculated as either the direct cost (such as cost of trainers) or as the full cost (including the indirect cost of releasing employers).
• Alcoa has a low attrition rate in their workforce and hence vacancies are rare. There are some longstanding skills shortages, particularly in the trades like boilermakers and welders. The ongoing apprenticeship program supplies well-qualified and employable tradespeople. Alcoa always graduate more apprentices than they can employ and see this as supporting skill development for the industry in general and the community. The level of employer incentives for entry-level training is not a significant motivating factor for a company the size of Alcoa.

• Spend around 6-8 per cent of payroll on training at a cost of around $22 million per year. This calculation includes total direct and indirect costs.

• Significant proportion of training driven through State Government legislation for safety standards in mining operations.

• In Western Australia for example, 1500 process and maintenance operators would experience around 56 hours per annum of training on safety related practices and around 32 hours in training on operating processes; and there are 86 apprentices and 62 trainees in training.

• Currently, 30 per cent of training is according to the industry Training packages while 70 per cent of training is according to Alcoa standards. Operator training for example could be mapped to the training package competencies but that would be an onerous process to undertake with few apparent benefits and is not a current priority.

• There is also training to diploma level for front line management for around 330 supervisors. This requires 2 fulltime trainers and follows a process of recognised prior learning (RPL).

Sources of training

• Alcoa has been an RTO with a limited scope of registration for 2 years. There is a high level of satisfaction with outcomes from having RTO status, which has enabled training to be more relevant to the needs of the company than it would be through an external RTO. The prime benefits of being an RTO is that it enables training delivery to be on-site and employees to receive qualifications.

• They have around 30 accredited trainers as part of the company and also use a range of TAFEs and external RTOs to supply additional training.

Australian Qualifications Framework

• Employees place a high value on achieving the required standards and completing a qualification. The value they place on training has clearly been enhanced through the AQF.

• The diploma qualification for front line management is proving very popular and motivating for employees — especially for those without post-school qualifications.
Issues

• Alcoa believe the VET sector should be an active enabler of high quality enterprise training but there are a number of areas where the National Training Framework falls short, particularly in being able to recognise the value of the Alcoa training standards. The AQTF (that regulates the standards of RTOs) is a ‘double edged sword’ — while the AQTF is essential to guarantee national standards and it assures qualifications that are valued by employees, the Alcoa standards for training are higher that those required by the industry training package and yet not accepted at face value as adequate.

• Maintaining RTO status, even for a limited scope of registration, is onerous. Alcoa does not see that it should be running a huge training organization — it produces alumina and, at this point in time, should not have to make the additional massive effort to align their well-regarded global standards with the Training packages — although they would like to have more employees have access to qualifications. (The issue of expanding their RTO scope into areas other than mobile skills training may be revisited in the future.)

3.2.2 Boral

This refers in particular to the experiences of Boral Australian Construction Materials (ACM) and Boral Plasterboard.

Context and characteristics of training

• Skill development is integrated with the ‘Best People Strategy’ and is seen as a core aspect of optimising return on capital investment as well as motivating employees and assisting Boral to be an ‘employer of choice’.

• Skill development supports the business strategies through expanding the underpinning knowledge and skills for front line managers and in equipping a mature workforce in meeting the needs that arise from capital investment and upgrade. Many employees left school early and the training strategy is around enhancing the skills of the existing workforce

• Skill shortages are currently apparent for installation of products in the residential housing sector. However, longer term Boral is facing skill shortages across all business lines due to demographic change. They anticipate around 25 per cent of the Boral workforce will retire over the next ten years and replacement at around 2 per cent a year is being planned which is a ‘huge objective’ given the recruitment and training challenges that will entail.

• Regulatory requirements for employers’ ‘duty of care’ in occupational health and safety are a further industry driver of training in this sector.
• Boral is an active participant in industry training advisory arrangements and works closely with the industry associations. They participate because they have made a general commitment to ensuring that Training packages are industry focused and meet the needs of Boral.

• They see the VET system provides a very useful structure for competency based training and assessment. Approximately 1000 front line employees are in structured competency based training under the AQF, which is around 30 per cent of the workforce. The other 70 per cent of the workforce are trained according to Boral specific standards.

• Direct costs for training are met by each business unit at approximately $1000 per participant per year. This represents around 1.6 per cent of the payroll.

• Training is provided during working hours with some off-the-job components that use flexible learning resources Government incentives are used for new and existing employee traineeships. The subsidies assist in convincing managers to become involved but they not the principle reason for providing training.

Sources of training

• Boral ACM is an RTO. This is because public and most private RTOs cannot deliver what the company sees as value-added outcomes from training. ‘We understand our business and culture’ and being an RTO provides the greatest flexibility as well as relevance. RTO status is also relevant to training in remote sites. They use in-house trainers, assessors and mentors.

• There is limited use of TAFE and other external providers — less than 10 per cent of total training is by external providers

• External training providers are selected on the quality of the trainers, evidence of current and relevant skills, access to specialist equipment and flexible delivery arrangements, including the level of on-site support.

Australian Qualifications Framework

• The AQF primarily provides evidence of compliance concerning ‘duty of care’, particularly for safety training.

• It also provides additional value for employees in accessing transportable qualifications and assists with union support.

• Becoming an employer of choice will become increasingly important and the AQF facilitates recruitment, especially for non-traditional employees in the construction industry such as women.
Issues

- Boral’s views on much-needed reform of the development process for Training packages and the associated role of the state jurisdictions is informed by their experience in seeking an enterprise training package in Interior Lining (for installing plasterboard). An enterprise training package was required because of their judgment that the industry training package was ‘obsolete’ without prospects of timely revision and yet the industry skill needs were obvious and pressing. A difficult 12 month process ensued to negotiate an enterprise training package, developed at a cost to Boral of around $200,000, which, at the end of 2002, received a limited accreditation of two years. The expectation is that Boral will hand over their enterprise training package to the Industry Training Advisory Body when accreditation ceases. Implementation is, however, still delayed and training for new apprentices is being stalled due to on-going delays in states processing their approvals.

- Boral believe strongly that many impediments to achieving an efficient VET system arise because a fundamentally sound national strategy is implemented via a state based system. Crucial reforms that Boral believe would be of benefit are: remove State Training Authorities from funding and key decision making processes; reduce the number of bureaucratic layers involved in managing VET; ensure nationally consistent training and assessment resources are available for each training package and qualification; and establish a single national User Choice system with one set of simple requirements.

- Similarly for regulatory matters, there should be: a single comprehensive set of agreed competency standards used by all authorities including Work cover or equivalent in each state; all qualifications, permits and licenses referenced to national competency standards should be common for all States and Territories - hence the current delays with their enterprise training package could be avoided.

- Also, Boral believes there is an unwarranted suspicion by a number of governments of an enterprise being an RTO because it is seen they are drawing resources away from the public system. State authorities seem to ask ‘why should we fund you as an RTO just so you can develop a competitive advantage?’
3.2.3 Holden

Characteristics of training

- Holden places a strong emphasis on development of people in the business strategy. They see human resource capability, including skill development, as a competitive advantage as they advance in the application of technology and culture change.

- Holden has transformed skill development from an approach where different sites pursue their own training priorities to a more nationally co-ordinated agenda — an ambitious whole of company approach across multiple sites and cultures. Alongside a national approach, a further challenge is to manage an integrated skill development program for multiple occupations — trades, production, engineering and corporate functions.

- The skill development focus is on an integrated approach throughout the company to generic competencies, technical and operational skills, and leadership capability. They want to validate the importance of the ‘soft’ skills as well as the technical and trade skills that are pertinent to their operating context.

- There are 8,500 production workers and 900 non-production staff. Around 75 per cent would undergo structured training in a year. They aim for 40 hours per year for production workers and 20 hours for salaried staff.

- Previously around 75 per cent of training was tied to industrial relations agreements. The emphasis on skill development has now considerably broadened the objectives for training as a strategy to enhance their organisational capability to meet the future business plan.

- Their training needs call for a holistic approach that meets ISO standards, training package competencies and generic competencies.

Source of training

- Limited scope of registration as an RTO — for Certificate 11 in Automotive Manufacturing. They see no particular advantage in being an RTO for other qualifications.

- Around 30 per cent of training would be delivered by TAFE. This particularly applies to training for trades qualifications.

- Production workers are trained on site, due to the need to specifically train according to the company’s technology. There is also an emphasis on the value of on-the-job training rather than off-the-job.
Australian Qualifications Framework

- Qualifications have conventionally been part of a pay progression system where the industrial agenda has been intertwined with the training agenda.

- The objective is to move from that mindset to one where training and qualifications are linked to a development agenda, not necessarily tied to automatic pay rises.

Issues

- Greatest challenge for the VET sector is to remain relevant to industry sectors that are advancing rapidly in technology and pursuing culture change in how the workplace operates. This is particularly apparent in the automotive sector where access to company specific up-to-date equipment is essential for effective training.

- AQTF is designed as if every RTO is expected to have training as their core business rather than recognising that an enterprise RTO must pursue its core business objectives as well as train employees.

- Only viable strategy for a company that does not seek to be an RTO is to develop close partnerships with a few specialist VET providers who can tailor training to the company’s needs and make best use of their infrastructure. However, this approach has implications for other VET providers because partnerships of this nature are not logistically possible with many providers. (Companies such as Holden have a long tradition of supporting TAFE providers.)

- However, they believe the VET sector has not yet realised that their attachment to industry sectors and companies is not a ‘right to belong’. Instead, VET providers should be asking ‘how can we service your needs’.

- Holden also see greater competition for clients developing between the VET sector and higher education, which they believe can distract the VET sector from its core role. They believe the VET sector should remain focussed on the training expertise where they excel (trades and technical aspects) and not expand VET services to replicate the higher end management and supervisor training. Holder believe higher education institutions better handle the latter.

- The company has heavy involvement in training advisory structures and government strategies to boost skill development. The value of this commitment is in having a direct input to training policy and implementation but it is difficult for a company to establish the ‘right’ level of commitment where the benefits of time spent in the consultative process outweigh the costs to the company.
• Holden believe there is an unnecessarily heavy reliance in the VET sector on formal committees and the like to secure industry input. Other strategies need to be developed that encourage ‘intelligent partnerships’ and open up opportunities for deeper and more relevant communication between enterprises and VET sector decision-makers.

3.2.4 Telstra

Context and characteristics of training

• Telstra is undergoing a massive cultural transition alongside the technological change that is required for a global business in the information, communication and technology sector. The shift from a government owned utility to a globally competitive business calls for skill development that is a rich mix of technical skills, ‘softer’ generic skills and leadership capabilities. Customer service expectations, for example, have broadened the scope of skill development well beyond the conventional technical areas that previously drove training provision to include providing innovative customer solutions.

• Telstra has a mix of centralised and decentralised management of training so as to build greater alignment between training provision and the needs of the business lines.

• Around 50 per cent of the workforce would have post-secondary qualifications, which are predominantly technical skills in telecommunications. In any year, around 50-60 per cent of the workforce would undergo structured training for an average of five days. In addition, a sizable proportion of training is informal or semi-structured with coaching and mentoring in the actual work environment by Telstra employees. This applies particularly for call centre staff.

• The total direct costs for the training activity is around $17 million for purchased delivery and an additional $10 million on labour costs for designing and delivering training by Telstra employees.

• Telstra expect a future reduction in the level of expenditure by around 10 per cent a year due to sharper targeting on the needs of the business lines and the accumulation of a critical mass of foundation leadership skills.

Sources of training

• Telstra is an RTO for a range of technical training in telecommunications, which is around 20 per cent of the total training effort.

• For the front line manager training (FLM) for example, which consists of a mix of on line, on-the-job and face-to-face training, private RTOs deliver the training both onsite and off site.
• Another key area of training is for call centre staff. Telstra has around 7,000 call centre employees and making provision for their training is an important contribution to the expanding call centre business. A small but growing proportion of training in call centres is according training package competencies and is through a 50:50 mix of outsourcing and internal provision. A qualification under the AQF is available.

Australian Qualifications Framework

• Telstra does not want to erect a complex infrastructure to support accreditation within the AQF but will facilitate individuals who are seeking a qualification. Around 20% of the FLM participants, for example, will pursue the qualification through on-the-job training that is integrated with daily activities.

• The facilitation of employees completing qualifications is in recognition of the inevitable downsizing of the telecommunications sector and the need for employees to be sufficiently aware of ways to manage their own careers.

• The role of accessing qualifications in the AQF is predominantly motivational in that formal acknowledgement of training contributes to employees having a fuller appreciation of the value of their role.

Issues

• Historically, Telstra conducted all its training in-house, particularly technical training in telecommunications. An issue for complex businesses such as Telstra concerns identifying where it should tap into the capabilities of the VET sector and access public resources or where a deep knowledge of Telstra technology is a prerequisite and training should be internally delivered according to Telstra standards.

• As the sector expands, Telstra’s preference is to shift responsibility for entry-level technical training from Telstra to the VET sector more generally. Rather than conduct entry-level training, Telstra now assists Group Training Companies with on-the-job training experience for trainees at the Certificate 11 and 111 levels and then recruits from a pool of skilled people. This process is working well and further partnerships will be formed to ensure a pool of skilled labour for recruitment in the future.

• In regard to accreditation of training, Telstra believe it should be sufficient for a large enterprise to demonstrate the intent of a training initiative, the numbers involved and the quality of outcomes. Instead, they are required to interpret the company’s training activities through an unnecessarily elaborate process of mapping competencies against the industry training packages.
• There is no real sense that the VET sector, either ANTA or at the state level, is actively engaged in a dialogue on the broad training needs and practices of large business. There should be direct dialogue rather than the indirect communication that currently prevails. Indeed, this level of dialogue is relatively accessible. Telstra argue that in many large companies there would be up to 20 people who are well informed about the long term training priorities for the whole company and hence would provide information relevant to many thousands of employees. And yet, Telstra believe is often more a matter of luck than design that Telstra priorities coincide with state or Federal VET sector decisions.

3.2.5 Ford

Context and characteristics of training

• Ford has established a comprehensive skill development strategy that integrates technical skills with relevant generic competencies (such as problem solving) and encourages individuals to pursue on-going training in managing their career paths. Their business environment calls for less layers of management and greatly enhanced teamwork alongside vastly more complex technical skills.

• Training is increasingly integral to success of the business. Its role in the business is in supporting improved performance through skill development. There is extensive internally and externally conducted training from Certificate 11 to the level of a Master Degree across all areas of the business.

• Total training expenditure is around $20 million per year, $8 million in direct cost of purchasing/supplying training from VET providers and internally through 45 fulltime trainers, and $12 million indirect expenditure for equipment/resources/facilities used in training.

• Ford is actively encouraging adult apprenticeships to enable internal career paths but training the adult apprentices is a challenge to the culture and standards of TAFE institutes.

• Skills shortages in the short term are not an issue as the company has a very low labour attrition rate.

• The company is involved in industry training advisory structures for the automotive sector and believe that a major company should be acting as a role model for others in the sector and the community.
Source of training

- The preferred position of Ford is that bulk of training should occurs in the workplace, where the performance of trainers is managed and the skills acquired are fully aligned and integrated into the company’s operating environment.

- Around 50 per cent of formal VET accredited training is conducted through Ford as an enterprise RTO, with the remainder by other VET suppliers. Apprentices are trained exclusively by TAFE. There is also a range of company specific non-accredited training that is governed by the company’s international standards.

- While the relationship with TAFE has ‘waxed and waned’, there is evidence of significant improvements in the development of more open and responsive relationships.

- Training by vendors of equipment is an increasing proportion of training and yet it is not accredited. It is a competing structure for training and the people in vendor training should be able to be assessed against training package competencies. The on-going transition to competency based training and assessment will allow this vendor training to be assessed in the workplace against appropriate competency standards and therefore negate the requirement to have the training accredited.

Australian Qualifications Framework

- The AQF is an integral part of the industrial relations framework. Training has predominantly been seen as the mechanism for pay progression rather than as a development strategy.

Issues

- The success of training provision through the VET sector needs to be judged more on the contribution its makes to individual and company performance than on the quality of short-term learning outcomes. This is a subtle philosophical change that the sector has yet to make.

- Ford effectively faces three separate audit processes for their training: ISO, Ford Production System and the AQTF for their enterprise RTO status. The Ford international audit system for training is an efficient and robust process in its own right and the duplication by the AQTF, in the case of Ford, is unwarranted from the point of view of achieving quality outcomes.

- The time required to keep pace with changes in the national training system is extensive. Ford currently requires a number of staff to spend their time monitoring the training system, particularly decisions at the State level. This is an unwarranted use of valuable resources.
3.2.6 Coles Myer

Context and characteristics of training

- Skill development is occurring at all levels of the organization and has a strong relationship with the business strategy to develop more competitive business processes and enhanced customer service. Training is particularly directed at improving quality of service, meeting business skill development needs and attracting high quality entrants to the company by becoming an employer of choice.

- The company sees an approach to skill development that integrates training from entry level through to higher education as key to competitiveness. Training is positioned as an integral part of the business and therefore tailored to the employees’ characteristics and the company’s needs.

- Management of training is now centralised so as to achieve economies of scale and a sharper focus on quality and strategy.

- There are 165,000 employees. Many are recruited straight out of school and around 70 per cent would have no post-secondary qualifications, with many having left school at years 10 or 11. As well as specific skills for retail, there is a need for training in generic skills across all groups of recruits.

- Due to the growth of the business there are skills shortages ranging from insufficient job-ready candidates for entry-level positions through to store managers and there is a particular shortage of skilled buyers. The shortages are being addressed through a mix of recruitment and the development of Coles Myer training programs.

- Around 30 per cent of employees would undergo approximately 3 days of structured training per year.

- Direct expenditure on training is around $15 million per year for the Coles Myer Institute with the brands’ expenditure totalling around $10 million.

Sources of training

- The Coles Myer Institute is the centrepiece and was formally established in 2003 following the success of the Coles Institute and recognition of the business advantages of consolidating the training effort.

- The Institute is a partnership with Deakin University as the provider of various qualifications from the Diploma of Business through to an MBA and Coles Myer as the RTO for VET qualifications.
The company has a self-sufficient infrastructure throughout most of the country. The majority of Coles Myer trainers have come from the stores and are valued as providing very practical training based on internal standards.

The core activity for the company as a RTO is to provide Certificates 11 and 111, and 1V in Retail from the Retail Industry Training Package.

Training packages are highly valued. Full utilisation of the Training packages eliminates the need for the company being required to write their own competency standards. Training developed by Coles Myer is aligned to the nationally recognised Retail Industry Competency Standards.

Australian Qualifications Framework

The qualifications are very significant to the employees. The company conducts graduations and see the qualifications as an important motivating mechanism for retention and career development.

The AQF enables the company and sector to demonstrate that there are career pathways in retail and VET is a legitimate area for further education and training.

Issues

The primary objective for Coles Myer is to provide high quality employee training when and where it is needed; having RTO status is the best means in the current environment to achieve that, despite the cumbersome nature of the Australian VET sector. Coles Myer have not been able to identify a national provider to deliver to the standard required to meet the training and assessment needs identified by the organization.

For a national business, working within the National Training Framework is cumbersome and time consuming. Examples of unwarranted state differences are:

- the company needs to allocate resources to maintain close relations with each State/ Territory Training Authority where the company seeks to operate as an RTO as requirements are separately determined according to states' standards and procedures.
- Training packages are developed nationally but states/territories determine implementation;
- the application of User-Choice varies in different states/territories.

There is a sense that the complexities for a major company operating as an Enterprise RTO are due to some states actively discouraging companies becoming RTOs because they are drawing resources away from the public system.
• Coles Myer regard training as a continuum from entry level through to higher levels and therefore the silos of VET and higher education are an administrative obstacle to establishing a seamless approach to skill development.

3.2.7 Australia Post

Characteristics of training

• The key drivers for training are improving the quality of services provided and equipping the organisation for current and future competitiveness. To achieve this, skill development is now conducted within an integrated National Learning and Development Strategy that embraces the full range of technical, managerial and leadership skills for the total workforce and systematically plans training according to their development needs.

• This new organisation wide strategy will assess current learning needs in terms of job requirements and track individuals’ progress to support the objective of being a high performing organisation.

• To analyse training and development needs, the workforce is divided into 6 tiers with a high proportion of the top three tiers (2,400 employees) possessing post secondary and tertiary qualifications and the other tiers with lower levels of education.

• Total national expenditure on training is around $27 million. This excludes on-the-job coaching.

Sources of training

• Australia Post chose not to retain RTO status after the introduction of the AQTF.

• However, a considerable proportion of training is still provided in-house. Australia Post continues to foster their commitment to the National Training Framework through the use of strategic partnerships with external RTOs. The partnership model is currently in its embryonic stages of development however it is being trialled for traineeships in several states.

Australian Qualification Framework

• The Enterprise Bargaining Agreement (EBA) is committed to a training framework that is structured around the AQF; the AQF is being used as a directory. The hierarchy of competencies and qualifications have assisted the development of the Australia Post training strategy and will facilitate the adoption of individual learning plans.

• Attaining qualifications and the fact they are transportable is highly valued and is consistent with the notion of employees having individual learning plans.
• The capacity to recognise existing skills for the front line management diploma has been of considerable benefit as a motivational device for employees.

Issues

• Australia Post relinquished its RTO status in 2000. This was shortly after the implementation of the AOTF. The national differences in standards and requirements are very significant obstacles for a national organisation. The task of maintaining RTO status with mutual recognition through the state frameworks is, for a national organization, a logistical challenge.

• As business organisations move to nationally managed learning strategies so as to ensure training contributes to being a high performance organisation and there is a return on the training investment, so should the public processes be nationally seamless.

• Australia Post values the employer incentives for trainees but believes the government marketing to employers is misleading in terms of the costs that are actually incurred in employing apprentices and trainees. Initiatives and targets should be marketed on the value to the organisation rather than the savings to be made by an employer.

3.2.8 McDonalds

Characteristics of training

• People and skill development are key pillars of the business strategy. Business goals include operational excellence, customer service and growth. In particular, customer service requirements continue to accelerate and the quality of staff is integral to success.

• McDonalds seek to be the ‘best employer’ and that calls for high quality employee relations and management styles, including an opportunity to train and advance.

• McDonalds has 55,000 employees and company specific skill development is a key aspect of the company’s business strategy. Everyone must be involved in ‘crew training’.

• For example, around 3,000 are doing a traineeship; 3000 managers are being trained in Certificate 1V in retail management; and over 2000 have completed the Certificate 1V level. They can progress to an Advanced Diploma of Management, which is a McDonalds qualification and beyond to higher education qualifications. (The advanced Diploma is Nationally Recognised as an AQF 6). Around 6 per cent of payroll is allocated to training and development.

• McDonalds have elected to have close involvement with industry advisory arrangements so that policies and processes are closely aligned to McDonalds particular training needs.
• They do not perceive there are skill shortages in their sector.

Sources of training

• McDonalds achievement of enterprise RTO status is core to their training strategy and is celebrated.

• As it is an operations based business, it makes sense to develop training professionals based on the company's own front line management experience. The company has a dedicated training department of 40 staff, solely focussed on training to support the business.

• As an RTO, McDonalds delivers training from Certificate 11 to Advanced Diploma level. Partnerships with a range of higher education institutions such as Ballarat, Newcastle and Queensland University of Technology enable articulation between VET qualifications and university degrees, in particular MBAs.

• External RTOs are used in locations where it is more convenient than providing in house training.

Australian Qualifications Framework

• They are working towards only delivering qualifications within the AQF. The AQF structure provides checkpoints to mark peoples’ progression; the framework gives training a tangible relevance throughout a career with McDonalds.

• Offering a nationally recognised qualification ‘helps enormously’ with recruitment and retention. This has been particularly obvious in the past two years during which the company’s marketing has packaged employment opportunities with the opportunities for further training and access to qualifications.

• Industry Training packages have been ‘unpacked’ to align the competencies with the skill priorities of McDonalds. While training has always been an integral part of the business strategy, from 2001 traineeship for example have been structured on the retail training package. This is favoured because it provides wider knowledge of retail than was previously provided.

Issues

• As a large national company the inconsistency between States’ standards and processes is ‘a nightmare’. Each State has different hurdles and the paperwork needed to create sufficient evidence for audits and compliance with the AQTF is ‘laborious’.

• McDonalds is committed to introducing School-Based New Apprenticeships nationally but the extensive variation in conditions and requirements across state and territories ‘makes it a very cumbersome process’.
Moreover, there are frequent changes to requirements in the States which requires constant monitoring — ‘we could miss a day and a significant change might be made in one State that, if not picked up, could be detrimental to the status of our employees’ qualifications’.

McDonalds also perceive a ‘domino effect’ where a change is made in one State it is then picked up elsewhere but not in a co-ordinated or streamlined way. As well, States and Territories frequently duplicate processes.

The employer incentives are important for McDonalds maintaining their training effort for trainees but they are not the only reason why they pursue this stream of training. While the incentives support the employment of a number of trainers and provision of course materials, they are also used to encourage store managers to employ trainees. The significant reductions in incentives for enterprise RTOs employing trainees in some states (e.g. Queensland’s reduction to one fifth of the previous quota) can be interpreted as declining support for enterprises being RTOs, McDonalds believe is a retrograde step.

3.2.9 BHP Steel

Characteristics of training

Training is an integral part of the business strategy for the newly demerged BHP Steel. Within Australia there are around 8,500 employees; principally at Pt Kembla in New South Wales (5000) although there are 1200 at a facility at Westernport facility (Victoria) with the balance at a number of smaller sites around the country. There are a further 3000 employees offshore principally in Asia, the UK and the US.

Expenditure on training is at least $6.7 million. As would be expected in this engineering and technology based company, significant amounts are focused on technical and trade training. However there is an increasing focus on sales and marketing in keeping with BHP Steel’s ‘steel solutions’ image.

As with all businesses, training expenditure comes under the microscope during the tough times of the economic cycle but there is now a ready recognition of the need to plan and grow for the future.

Skill shortages are currently being experienced particularly in areas of process and materials engineering as well as some trades. In addition, para-professional skills will be needed by supervisor and leading trades people to continue improving in areas such as waste reduction and cycle time reduction. These skill shortages will be addressed through recruitment and in-house training and particularly through alliance partnerships with other large specialist companies to help overcome the issue of critical mass in numbers being trained.
Rather than a ‘sheep-dip approach’ to making common training available to employees, the BHP Steel approach is to target training on individuals' development needs. This requires a process to determine the performance gaps. The assessment process is applied to all staff roles and some operator and trades levels in the company also have an equivalent formal review and development approach.

There used to be an intake of around 50 apprentices a year, but that has now been reduced to an average intake of eight to ten a year over the last few years. They have reviewed their current position and this year will look to recruit around 30. A group training company plays a significant role in this.

The company has traditionally not been a great user of employer incentives and has not remained closely involved in any industry training advisory structures — although it has had some representation from time to time in various states. It is difficult to relate to the full breadth of ITABS relevant to the business as the company’s activities cover around five industry areas.

Sources of training

- BHP Steel is not an RTO.

- However, the Westernport facility is an RTO for trade training. This was originally due to the high costs charged by external VET providers and a perceived advantage to be obtained in accrediting fit-for-purpose programmes at the site. Westernport still retains a small apprentice shop on site.

- In Port Kembla, the current approach is to contract the University of Ballarat to operate the apprentice training facility and apprentices employed by the Illawarra Group training Scheme are hosted in a training shop on BHP Steel's premises.

- The company makes use of many sources for training and has relationships with a number of VET providers and high education institutions.

Australian Qualifications Framework

- The AQF is a useful framework but secondary in the company’s approach to planning the provision of training.

- Where the company values the AQF is in simplifying the transportability of qualifications, which was seen as potentially important by some employees and to the union movement in an environment of workforce reductions. On the whole however, portability of skills has not been a significant issue for BHP Steel employees as turnover in the trade ranks is low and many other skills are fairly specialised.
• Without a major strategy of this sort to address sub-critical mass, the viability of RTAFE institutions that supply training to the industry will be at risk, which will severely disadvantage BHP Steel. BHP Steel is talking with TAFE and universities about these issues and welcomes current research into this area of concern.

Issues

• Meeting the future skill and training needs of the iron and steel industry calls for fresh and innovative strategies that are unlikely to be met by institutions acting alone but the funding model for VET and higher education severely inhibits finding solutions. As the industry restructures in the face of global competition and domestic cost pressures, training needs to be provided through a consolidated effort in sharing resources across the VET sector, higher education and with the industry. Provision could be also be made for bringing international training expertise into Australia.

• They also see there is room for some relationships between TAFE and higher education to target courses at the margin between professional and paraprofessional such as for the career technologist or line supervisor.

• Without a major strategy of this sort to address sub-critical mass, the viability of TAFE institutions that supply training for the industry will be at risk, which will severely disadvantage BHP Steel.

• The multi-company alliance with the University of Ballarat shows the potential of innovative structures for training in areas where the number of employees is dropping. This involves other companies with similar training needs and a highly responsive approach by the training provider.

• There is a need for learning institutions to come closer to industry so that they are making more use of ‘live examples’ in their teaching, modelling, assignments and the like. Much could be gained from lecturers spending more time on site to be more current with the context of the company. Businesses are looking more for the practical and quicker pay back from training and development initiatives and, while not diminishing the rigour of the training, education institutions must become ever more mindful of the ‘value proposition’ they have to offer their corporate ‘customers’.
3.2.10 Commonwealth Bank of Australia

Context and characteristics of training

• The bank operates in a challenging competitive and regulated environment. There is a range of key drivers for skill development. Competitiveness in the industry requires superior sales and services and the need to harness the capability and commitment of employees is especially powerful in knowledge rich service industries. Technological demands continue to accelerate and require the capability to operate more complex systems and processes. There are also significant regulatory requirements under the Financial Services Reform Act that drive the content and extent of training.

• Being able to meet the increasingly complex skills development needs is seen as a key element in achieving high performance in the workplace. The skill needs are specific to the organisation’s operating environment therefore successful training needs to be similarly specifically tailored. The importance of training arrangements requires training priorities to be managed nationally with strands that address technical, sales and service and business capabilities. The

• The CBA is a learning organisation that seeks to support individual development in an organisational context where achievements are measured and recognised in a qualifications framework.

• There are no significant anticipated skill shortages. The skill development strategy is to identify the skills required in the future and employ people who can be progressed through the company’s skill development process.

• The company has close involvement in the industry training advisory structures.

• Across a year, every employee is exposed to some level of formal training. An average for formal training would be 3.5 days for every employee. Investment in leaning is around $1,000 per employee per year. Expenditure on training in 2002 was around 2.8 per cent of payroll.

Sources of training

• The company is an enterprise RTO with a scope of registration from Certificate 111 and 1V to diploma level in front line management, financial services and financial planning. The company can issue eight AQF qualifications and draw on a number of industry training packages. They do not use other VET providers.

• The adoption of RTO status was the direct result of exploring viable ways to improve the educational levels of all staff and to offer a nationally recognised qualification both as an incentive to leaning and to enhance the company’s reputation as an employer of choice.
• Around 60 internal trainers operate in five learning centres around the country. All facilitators have Certificate 1V in Assessment and Workplace Training. Specialist design teams develop the extensive learning and assessment material for the range of technical, sales and service and general business capabilities.

• The company is in fact now running a large training business that is seen to be worthwhile to the business because it provides company specific competencies to underpin competitiveness.

Australian Qualifications Framework

• The AQF is used to align qualifications outcomes to positions within the company. The AQF serves as a ‘good value’ proposition for employees.

• While the AQF serves as a motivational tool for encouraging employees to participate in training, it is not the primary driver. The imperative for training would exist without the AQF.

Issues

• Training is critical to maintaining a competitive edge in the financial services sector. Being able to link learning to VET qualifications provides a stimulus for employees to participate. However, the lengthy audit process to add qualifications to the enterprise RTO scope of registration is far too slow. The lengthy audit process inhibits the organisation responding swiftly to staff who are seeking further levels of training and slows down the process of modifying training offerings to respond to business needs.

• A ‘preferred status’ for large organisations that are enterprise RTOs and have a solid track record in high quality training outcomes would enable alterations to the RTO scope of registration to be fast tracked. The present audit time is three months and this is considered to slow to allow the timely offering of qualifications to staff who have completed training.

3.3 Overview of case studies

A summary of the main features of the case studies is provided below. While there are many commonalities in experiences and preferences for the future, not all companies have the same views due to different priorities for skill development across industry sectors and also due to varying management dispositions. Allowing for these differences, the key features are summarised in four categories: the nature of the enterprises’ skill development priorities; the structural arrangements through which the companies choose to provide their training; the relevance of the Australian Qualifications Framework to their training experience; and the issues they nominate as important to resolve so as to enable their skill development needs to be met.
The issues raised by the companies are at two levels. They signal a range of interim administrative changes that are needed to ensure the National Training Framework is aligned with companies’ training objectives. More significantly, the case studies demonstrate the significant transformation in skill development that is occurring in large enterprises and point to the widening gaps between the VET sector and companies’ skill development strategies. This suggests the need for changes not only to the current training framework but to the overall parameters for VET policy as it relates to large enterprises.

**Skill development priorities**

The skill development priorities of the enterprises effectively set the conditions against which they evaluate the relevance and performance of the VET sector.

**People strategies and competitiveness**

Without exception, the companies see skill development and the provision of training as integral to business success in highly competitive environments. These companies operate in increasingly complex and global markets and their organisations are characterised by high levels of change and a rigorous focus on profitability.

Skill development has become a core part of the human resources or people strategy. Training from entry level through to higher education and for senior management to shop floor is being seen as an integrated strategy that contributes directly to achieving business objectives. Training is not an add-on to the human resources strategy but fully integrated with strategies to improve core features such as work organization, leadership, productivity and customer service. It also has links with coaching and mentoring, performance management and recruitment.

Ideally, training is not designed on a one-size-fits-all template. Companies invariably seek a tailored or customised approach that suits their technology, operating environment skill profile, culture, location and competitive context.

**Nationally integrated skill development strategies**

A significant recent change is that many enterprises plan their training strategy on a national basis rather than devolve responsibility to business lines. This is to achieve economies of scale but more particularly to capture all the potential competitive advantage from the people development strategy. In a number of companies, the heightened level of integrated national planning is relatively recent.
Skill development is also frequently planned from entry-level through to higher education and from shop floor to executive management. Companies track individuals’ skill development achievements and many have well developed skill profiles for the whole organization. This is particularly important in planning for and supporting the long-term business strategy of the company.

**Global technical standards and generic skills**

The main drivers for the emphasis on training vary across the sectors represented in the case studies. The manufacturing companies like Ford and Holden and companies in the resource sector like BHP Steel and Alcoa have a long history of technical and operational training which is conducted according to international standards that are constantly being updated as production techniques modernise and global competitiveness drives cost reductions. Such approaches predate the introduction of training packages. A common recent theme in their training priorities, in addition to developing technical skills, is that employees contribute new ideas and knowledge in the workplace and be committed to improvements rather than just apply static knowledge.

Importantly, the priorities in all these companies have also extended to include front line management skills and other ‘soft’ skills such as communication, leadership and problem solving. This represents a significant and extensive change in the expectations of training. While specific technical skills remain central to enterprises’ training needs, the generic skills, employability skills or ‘soft’ skills are growing in importance as the structures of the workplace and the roles of employees change. Technical skills can change rapidly and the skills or attributes of leadership, learning, communicating and the like can equip employees for handling the dynamic changes ahead.

Legislative and regulatory requirements, particularly around ‘duty of care’ for occupational health and safety and the environment, also set the conditions for training. (Assessment against certain training package competencies enables companies to demonstrate that they have complied with occupational health and safety laws in their State.) State based industry licensing in the trades is a further regulatory layer that impacts on the provision of training. There is an historical connection between occupational licensing and industrial relations agreements in some trades generally connected with occupational health and safety. Monitoring changes in regulation and licensing, which are primarily determined at the State and Territory level, is therefore essential in ensuring companies’ training complies with the law.

Nationally operating companies can face complex and inconsistent training requirements in this area given the differing requirements from State to State and trade to trade.
The workforces in these sectors are stable or reducing with limited new recruitment occurring. Similarly for Boral in the construction sector, rather than hire to meet new skill needs, the challenge in the short term is to retrain an existing workforce, that on the whole does not have post-secondary education or training, to meet the needs of new capital investment and upgrades in technology. Skill shortages in areas of manufacturing, construction and resources will emerge in the longer term, mainly due to the ageing workforces and skill development will be a significant challenge.

**Customer service and quality**

Training priorities in sectors such as retail, communications and financial services differ significantly from construction, manufacturing and the resource sectors. The enterprises are driven in large part by high dependence of the business on the qualities of customer service and the need to continually improve the quality of goods and services. The importance of training that enhances personal capacities and attitudes in teamwork for example is vitally important as are the skills underpinning innovation. These sectors have high numbers of employees who do not have post-secondary qualifications.

Training is also being used to demonstrate the value of new and emerging career possibilities, arising from information technology for example, and to position the companies as an employer of choice. In sectors that have had a high proportion of casual staff in the past but now depend on the quality of customer service, access to a skilled, motivated and stable workforce is increasingly a competitive advantage.

In the financial services sector, recent regulatory change is also a significant driver of training. Keeping ahead of the regulatory requirements enables the design of training to be well-integrated into company procedures, meeting the needs of the company as well as complying with the law.

Table 3.1 summarises the main factors that are driving skill development in the companies profiled in the case studies.
Box 3.2

SKILL DEVELOPMENT IN LARGE ENTERPRISES

Business drivers and priorities:

- Global Competitiveness
- Focus on costs, markets and speed
- Product and service quality and innovation
- Business regulation
- Flexible workplaces
- National learning organization
- Value of a motivated workforce
- New knowledge generated
- Corporate standards as a competitive advantage
- Employer of choice

Source: The Allen Consulting Group

Provision of training

The training priorities represent a rich mix of technical skills with generic skills, with the combination varying according to sector and enterprise. A common theme is that the generic skills have rapidly moved into the competitive domain and have become strategic. Companies face a range of choices around the source of training as well as the content.

Multiple training needs

Skill development is occurring across the traditional areas of process operations and maintenance of plant, occupational health and safety and environmental standards, frequently structured according to global standards set by the company. Skill development is occurring in customer service, leadership, teamwork and communication as well as information technology. A recent trend is to pull a range of the generic skills into an integrated training package to support wide-ranging culture change in an organization to ensure values and behaviours are better aligned.

Table 3.2 illustrates the expanding breadth of training that is evident in the enterprises in the case studies. The wide breadth in the areas of training demonstrates the reach of training into all areas of business. Some categories are technically or product-specific while others are more general, although always related to the specific workplace context.
Table 3.1

BREADTH OF TRAINING

<table>
<thead>
<tr>
<th>Breadth of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product knowledge</td>
</tr>
<tr>
<td>Customer service</td>
</tr>
<tr>
<td>Job readiness and induction</td>
</tr>
<tr>
<td>Technical skills update/ retraining</td>
</tr>
<tr>
<td>Equipment vendor instructions</td>
</tr>
<tr>
<td>Occupational health and safety</td>
</tr>
<tr>
<td>Environmental standards</td>
</tr>
<tr>
<td>Community awareness</td>
</tr>
<tr>
<td>Front line leadership</td>
</tr>
<tr>
<td>Team work and communication</td>
</tr>
<tr>
<td>Regulatory requirements</td>
</tr>
<tr>
<td>Personal awareness and development</td>
</tr>
</tbody>
</table>

Source: the Allen Consulting Group

Costs and benefits of RTO status

The companies in the case studies vary in their approach to how they source their preferred training to meet their skill development needs. They might purchase from an external RTO, deliver training by themselves as an enterprise RTO or deliver training as in-house training unconnected with the National Training Framework and the VET sector.

As explained earlier in this report, RTO status is determined under the Australian Qualifications Training Framework (AQTF) that established the quality assurance system to underpin the registration of training organisations by the training authorities in each State and Territory.

An enterprise RTO is required to meet the same standards as any other private or public RTO. For a national company it is expected that RTO registration under one jurisdiction will be recognised by all others. With the greater strategic emphasis on skill development, it is increasingly a significant decision for enterprises to establish the nature of their connection with the VET sector and their source of training.

The pattern of provision of training is summarised in Table 3.2.
### Table 3.2

**CHOICE OF RTO STATUS**

<table>
<thead>
<tr>
<th>Company as enterprise RTO for all training</th>
<th>Company as enterprise RTO for limited scope of training</th>
<th>Avoidance of RTO status</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBA</td>
<td>Ford (for 50% of formal training)</td>
<td>Australia Post</td>
</tr>
<tr>
<td>McDonalds</td>
<td>Holden (for 70% of formal training)</td>
<td>BHP Steel (one facility is an RTO for trade training)</td>
</tr>
<tr>
<td>Coles Myer</td>
<td>Alcoa (for 30% of formal training)</td>
<td>Telstra (for 20% of formal training)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Boral ACM (for 80% of formal training)</td>
</tr>
</tbody>
</table>

Source: The Allen Consulting Group case studies

The majority of the companies have a hybrid model and provide training through a mix of provision as an enterprise RTO with a limited scope of registration and through sourcing training from other RTOs. However, these companies also provide varying proportions of their training according to their own internal company standards rather than drawing on industry training packages. This training is not nationally recognised and does not lead to an AQF qualification or statement of attainment.

On the other hand, three companies have chosen to seek full national recognition of their training through meeting the national standards under the AQTF for becoming an enterprise RTO. They conduct and assess all their own training (except where it is logistically difficult) according to the training packages. At the other end of the spectrum, two enterprises have chosen not to have RTO status but to meet their enterprise needs through partnerships with external RTOs (which enables them to conduct and assess their own training under the supervision of an RTO), or through purchasing the services of an external RTO such as a TAFE institute.

The three companies that have actively secured enterprise RTO status for their full complement of training have done so because of the value they place on having full control over the content, style and location of training and because employees receive a nationally recognised qualification. These are companies with very large workforces and a high proportion of employees without post-secondary qualifications. They base their training on industry training packages, importing content from a range of Training packages and customising them to reflect company needs. Company specific competencies are seen as an essential underpinning of competitiveness and training is carefully tailored to company culture and procedures. The companies consequently have large training departments and some make full use of the available government incentives. RTO status is celebrated as a valuable asset.
Companies with a limited scope of registration similarly value company-specific competencies and in-house trainers but many are ambivalent about the rationale for being an RTO. For some, it has been a default choice in the face of inadequate provision by external providers in responding to their specific training needs. Other training not provided by the enterprise as an RTO is sourced from a mix of external public and private providers but it may also be provided by the company outside of the AQF. Many of the enterprises historically have a strong tradition in technical and trades training that is company specific, not necessarily mapped to Training packages and nationally recognised but at a level that possibly exceeds the training package competencies. Often, the companies do not want to commit the considerable resources required to gain accreditation for existing company specific training, although they might like to do so in the future.

The two companies that are not RTOs are seeking innovative partnerships with VET providers and other enterprises rather than pursue RTO status. Australia Post relinquished their RTO status on the introduction of the AQTF to concentrate on the quality of training rather than be caught in virtually running a training business. Through the close partnership arrangements training will still be provided in–house and according to the specific needs of the organisation but without the need for Australia Post to operate an extensive training business in its own right. BHP Steel similarly seeks close control over the provision of training but recognises the potential for generating new co-operative models for training provision that respond to declining numbers in certain occupational groups.

**Australian Qualifications Framework**

The Australian Qualifications Framework (AQF) is the structure under which VET courses meet national industry training standards. National standards and qualifications theoretically now cover around 98 per cent of industry.

**Motivational benefits**

The case studies demonstrate that overwhelmingly, the AQF is valued for its motivational impact on employees, through valuing and formally recognising their training and performance achievements. The companies believe their employees are very proud about receiving qualifications and that this has a positive effect on the morale of the workforce. This is especially the case in sectors where few employees have post–secondary qualifications and there is not a tradition of training. Also, where skills may not have been recognised in the past — as in front line management — the AQF has provided a stimulus to focus on skill acquisition and encourage participation in training. For some sectors such as retail, gaining qualifications is a selling point in recruitment and in positioning as an employer of choice.
In sectors where workforce reduction is inevitably occurring, employees and the companies also value the transportability of qualifications under the AQF. The AQF facilitates self-management of employees’ careers and lessen employees’ dependency on one company as a life-long employer.

**A ‘directory’ for skill development**

In manufacturing, construction and resources, there has traditionally been a close association between industrial agreements and training provision. Movement through training levels has been tied to pay progression and some fear the AQF will continue to be used predominantly for that purpose. Instead, companies are attempting to make a shift that places more emphasis on individuals’ learning and development being signified by the AQF rather than the AQF defining pay scales.

The most substantive application of the AQF is seen in Coles Myer, The Commonwealth Bank, McDonalds and Australia Post where the AQF is used to plan and sequence training. The AQF is used as a framework to guide the structure and content of their training. They value the Industry Training packages because they no longer have to write their own courses but can customise Training packages to their own needs.

**Bureaucratic impediments**

An exceptional case to the pattern of application of Industry Training packages and the AQF is the experience of Boral Plasterboard and their need to develop an enterprise training package so as to ensure employees and contractors are qualified according to the most appropriate standards. The dilemma for Boral was that the industry training package was outdated and hence the qualification in that area did not signify competence but the industry requires many hundreds of contractors and employees to be qualified for the installation of the products. (The issues surrounding the development of the Boral enterprise training package are discussed in more detail in their case study.)

**Secondary to training decisions**

For the majority of the companies profiled, the AQF is mostly a secondary consideration in determining training plans. Frequently, company standards are established internationally and well exceed the competency standards in the training packages. The growth in vendor training outside the AQF is also a feature of the changing training landscape.

Overall therefore, the main value of the AQF in large companies is currently as a secondary benefit in that it serves to motivate employees. A few companies also see a primary benefit in the AQF and are now using the framework in a more substantive way to plan and structure their training from entry level to higher education.
In summary, the immediate concern of all the enterprises in training is in the tangible benefits they gain from the application of new skills in their workplace. As the case studies show, whether training is nationally recognised in the AQF or not, the enterprises’ key concern is ready access to relevant and tailored training that meets the skill needs of their employees.

Table 3.3 summarises the drivers of training, as explained by the companies profiled in the case studies, and the approaches to training that companies are seeking.

**Table 3.3**

**TRAINING PRIORITIES AND CHARACTERISTICS**

<table>
<thead>
<tr>
<th>Business Drivers and Priorities</th>
<th>Preferred Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Global competitiveness</td>
<td>• Enterprise specific</td>
</tr>
<tr>
<td>• Focus on costs, markets and speed</td>
<td>• Enterprise self - manages or directs</td>
</tr>
<tr>
<td>• Product and service quality and innovation</td>
<td>• Work-based learning</td>
</tr>
<tr>
<td>• Flexible workplaces</td>
<td>• Available when needed</td>
</tr>
<tr>
<td>• Business regulation</td>
<td>• Soft and technical Skills</td>
</tr>
<tr>
<td>• National learning organization</td>
<td>• One-on-one as well as group learning</td>
</tr>
<tr>
<td>• Motivated workforce</td>
<td>• On-going retraining</td>
</tr>
<tr>
<td>• New knowledge</td>
<td></td>
</tr>
<tr>
<td>• Corporate standards</td>
<td></td>
</tr>
<tr>
<td>• Employer of choice</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Allen Consulting Group

**Issues to be resolved**

The ten companies raised a range of issues. The issues highlight, in the first instance, the need to change a number of features of the regulation and management of the training system to support companies’ skill development endeavours. However, the issues also point to the need to consider more fundamental reform to the skill development paradigm so as to harmonise VET sector policy with the transformed practices of large enterprises.
Nationally harmonised standards and regulation

National companies that are coordinating and integrating their training strategies to meet competitive pressures expect the State and Territory governments also to achieve an acceptable level of national coordination and harmonisation at all points in the VET system. There is, however, extensive criticism of the lack of serious attempts to remove seemingly arbitrary differences in standards and processes among states and territories. For example, the impediments that Boral experienced in attempting to develop an enterprise training package due to an outdated industry training package demonstrate inflexibility of the system, particularly at the state level. Further, companies that are RTOs waste resources on constant monitoring and negotiation with state authorities. A concerted effort to nationally harmonise standards and processes and establish a streamlined mutual recognition process, as has happened in many other sectors of government, is a matter of priority.

Streamline registration for large enterprises as RTOs

Companies do not have training as their core business but many do seek to exercise a high degree of self-management over the training that is provided. For them to achieve and maintain RTO status and rightly gain the benefits of operating within the National Training Framework, is an onerous and cumbersome process that pays no heed to their primary role as a large commercial enterprise. Companies may have three parallel audit processes to undertake to validate the quality of their training — ISO accreditation; assessment according to a company’s own training standards, often internationally assessed; and the AQTF processes for registration and audit as an RTO. A streamlined process under the AQTF for large enterprises attaining RTO status is urgently called for.

Clarify contradictory messages about the national value and future of enterprise RTOs

There are also mixed messages across the country for valuing enterprises operating as RTOs. While there is recognition at the national level through ANTA of the value of large enterprises conducting their own training within the AQF, a number of States and Territories adopt a different stance and are reducing the public finances available to support enterprises as RTOs. Their preference is to support the public provision of training through TAFE and limit the number of companies as RTOs. Clarification of the expectations and benefits for companies as RTOs is required to enable companies to plan their training provision in the medium and long term.
Greater profile for generic skills

While all enterprises regard a range of specific technical skills as central to their preferred training, they are also highlighting the growing importance of generic skills such as leadership, communication and knowing how to learn in the new knowledge economy. The skills not only cater to the changing demands of relations in the workplace and new aspects of competitiveness such as customer service, but also prepare employees for the on-going changes to job specific skills that all sectors inevitably face. However, the training packages do not routinely address generic skills and, moreover, the current training Package structure that is based on discrete industry skills is not really conductive to incorporating generic skills. Facilitate wider enterprise-based instruction models by TAFE institutes All enterprises using external RTO providers are also seeking training tailored to their specific needs both in content, structure and style. Many companies have moved from the ‘sheep-dip’ training model to training that fills specific performance gaps.

They prefer approaches that are enterprise based and use work based learning modes, and can handle different instruction styles such as one-on one as well as group instruction. This also ensures training that is specific to the company’s technology and equipment. This presents many challenges for RTOs, particularly the traditional operation of TAFE institutes.

Establish new dialogue model between VET and large enterprises

Active dialogue between senior executives and those determining training policy is rare and needs to be instigated. While a number of the companies are active in industry advisory training bodies, this tends to be at the technical end where industry competencies are outlined and training packages are developed. (The high number of relevant industry training bodies is an additional disincentive for some enterprises.) Most companies believe that training authorities in general do not fully appreciate the business priorities and nature of training that is being undertaken in large enterprises. The quality of policy would be greatly enhanced by dialogue directed at developing a deeper understanding by policy makers of large enterprises and their training priorities and strategies.
Remove administrative barriers to multi-institutional and company partnerships

The way ahead for a number of companies in maximising the benefits from their approach to training in the current arrangements is in establishing innovative multi-institutional partnerships with a range of VET and higher education institutions, perhaps in conjunction with other enterprises. This is particularly relevant in sectors where the numbers seeking training may fall below critical mass and put the longer term provision of training for certain skills in jeopardy. It is also relevant in sectors where training and development are relatively new and companies want to develop an integrated package of VET and higher education options.

Funding and administrative models are, however, a serious impediment to developing the innovative arrangements many companies are seeking. As companies embrace the AQF structure and plan an integrated sequence of training, so should governments take a holistic approach to policies for the VET and the higher education sectors. This is an issue that requires attention so as to secure the skills needed for future competitiveness.

3.4 Conclusion

The conclusion is that the policy framework, administrative systems and training practices of the VET sector fall are failing to meet the complex skill development needs of large enterprises. A number of shorter-term changes are feasible, such as recognising the credibility of large enterprises to be enterprise RTOs and improved packaging of generic skills with technical skills in training packages. These sort term issues should receive immediate attention.

Beyond these procedural aspects, however, there are deeper conceptual issues that arise from the expanding skill development agenda of enterprises. Rapidly changing skill requirements, the need for heightened flexibility in how and when training is delivered, the intertwined nature of technical and generic skills are some of the factors pointing to the case for fundamental changes to the VET sector to align with new skill development paradigm in business.

There are compelling economic reasons for the creation and maintenance of an effective policy framework to support skill formation. The challenges for enterprises and the VET sector will be to identify the appropriate policies and models to support skill formation for the decades to come.
Chapter Four

Key Strategic Issues

Key Points

The BCA is primarily concerned to ensure appropriate policies, frameworks and models exist to support skill formation in the economy. In the current model, the VET sector has a substantial role and business expects the VET sector to deliver quality outcomes in an efficient, timely, and industry-responsive manner.

The major pressures and demands on the VET sector revolve around the changing nature of the world of work and the transformation in skill development in enterprises. There are major changes in the dominant model of work organisation, with a greater role for generic knowledge, updating skills over time, and an increasing emphasis on skills in driving competitive advantage. There are unanswered questions about the future role of the AQF, competency based training and training packages as currently applied. Consideration needs to be given as to whether these are still the tools to support effective skill formation in the next decade.

Demographic changes highlight the need for worker re-skilling and life-long learning approaches, in addition to ongoing demand for training to equip workers in the initial phase of their career.

Enterprises, as they seek to achieve growth and productivity improvements will assess the relevance and capacity of the VET sector to support the needed skill development. If the VET sector can not meet the need for relevant and effective vocational education and training, enterprises will increasingly choose to provide training outside the VET framework.

Given the importance of skill formation in sustaining economic growth the BCA is contributing to the debate around the optimal policy framework underpinning skill formation. In terms of the current VET sector, there are key issues for the ongoing relevance of VET.

The type of skills required in workplaces is changing. There is an increasing requirement for generic skills and ongoing retraining. New flexibility and timeliness will be required in training frameworks and policies. Modules of training rather than qualifications will be increasingly important, particularly for ongoing skill development. This brings into question how training packages are developed, their content and how they will be delivered.

National coordination and harmonisation across states and territories in terms of quality assurance systems, industry licensing and occupational health and safety training continues to be absent from the VET sector leading to confusing and conflicting regulatory requirements.

Much has been achieved in the growth and diversification of training providers. The introduction of "user choice" has enhanced availability and quality. The VET system of the future should facilitate both public and private providers of vocational education maintaining a competitive environment.
However, recognition needs to be given to the ongoing role of public providers. Discussion about their future role and resourcing is required. There are pressures around ongoing financial viability of the public system due to relatively narrow funding bases, overwhelming dependence on government funding and the disjoint between recurrent funding and recurrent expenditure — particularly in relation to the treatment of capital depreciation.

Overall, the policy framework, regulatory and administrative processes and training practices of the VET system fall short of serving the future complex skill development needs of large enterprises. Issues such as global competition, new technologies, increased focus on productivity and ensuring increased participation as the workforce ages are all contributing to a major focus on skill formation in many BCA member companies. The challenge will be to ensure the appropriate models to support skill formation are in place for the next decade.

A new agenda might take account of factors such as: capacity of the current AQF, training package and competency based training system to address future skill requirements; a sharper delineation of roles and responsibilities between the VET sector, large business and smaller sized enterprises; the costs versus the benefits of the VET sector regulatory apparatus; achieving greater autonomy for large enterprises within a national framework; and how to achieve the flexibility and responsiveness that all stakeholders are seeking.

While administrative changes are called for in the short-term, the expanding skill development agenda of enterprises points to the case for a wider ranging reform to the policies and models supporting skill formation so they align with the new skill development paradigm in business.

4.1 Introduction

In the light of the recent release of ANTA's national strategy *Shaping our Future* to cover the 2004–2010 period and the *High Level Review of Training Packages* currently being undertaken on behalf of ANTA, it is an appropriate time to reflect on models for the future and identify systemic impediments in current operations. The ‘discussion starter’ for the development of *Shaping our Future* identified a number of key issues shaping the future of VET. Three broad themes covered by the discussion starter were:

- a changing society — a more diverse society, a nation living in cities, increasing inequality of wealth, less certainty about the future, an older nation and the individual at the centre;

- the economy of 2010 — a global economy, a knowledge economy and the changing nature of industry; and

- new, different ways of working — different career paths, different ways of doing business and different skills.

Further to that, the ‘visions’ identified by Ministers June 2003 were:

- VET works for Australian businesses — making businesses more internationally competitive;
The Vocational Education and Training System – Key Issues for Large Enterprises

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

The objectives for the third national strategy are:
- Industry will have a highly skilled workforce to support strong performance in the global economy;
- Employers and individuals will be at the centre of vocational education and training;
- Indigenous Australians will have skills for viable jobs and their learning culture will be shared.

These themes signal the emerging discussion of the multiple roles of the VET sector as opposed to an industry led or demand driven provision — particularly for the public system. The objectives serve broader needs in furthering community cohesion and generally assisting the community and business understand the rapid transition to a knowledge based economy as well as delivering the skills required by Australian industry.

While the discussion of each of the issues shaping VET and the potential vision statements for the sector are of interest (and give an insight into the thinking of those administering the VET sector), this chapter highlights issues of closer relevance to skill development in the large business sector.

The chapter summarises the changing demands being placed on the VET system in the future, including outlining the importance of VET for business and the nature of training needed to satisfy business expectations for skill formation. A range of specific issues facing the VET system in Australia are discussed. These issues are:

- ensuring the VET sector has the capability to deliver the various types of skill formation of critical importance to industry;
- achieving greater flexibility and responsiveness in the VET sector; and
- funding of the public VET system.

However, a longer-term agenda now needs to be considered in terms of overall VET sector alignment with the changed skill development paradigm in business. This calls for more fundamental change.

### 4.2 The changing demands on the VET system

Business expectations of the VET sector are changing along with a transformation in the importance of skill development in business.
The importance of VET for business

As discussed in chapter one, the VET system plays a vital role in supporting economic growth and business performance. The VET system has an important role to play in the achievement of a number of social objectives, such as providing educational opportunities for disadvantaged groups in society and broadening the educational pathways available for students in the secondary school system. From the perspective of the business sector, it is important that the VET system does not lose sight of its primary function, namely, supporting skills formation.

There is a range of demands on the VET system by business. Of particular importance is the role it plays in the development of ‘entry level’ skills. Industry makes significant use of entry–level/younger students from the VET sector. Of the 1.76 million students captured in VET data, 330,000 are apprentices and trainees and 170,000 are involved through VET in schools. Less than 10 per cent of students held qualifications at Associate Diploma or higher levels prior to their current enrolment in VET meaning that most students are developing general qualifications.

Another source of demand arises from the critical challenge for the Australian economy in ensuring continuing participation in the workforce of existing workers to counter demographic changes. Added to the demographic dimension are changes in the relative importance and needs of different industry sectors. means VET will play a key role in updating individual skills to meet changing business needs and in expanding the retraining of existing workers.

A final and related source of demand arises from the life–long learning objectives. Under a life–long learning paradigm workers continually update their skills to match business needs and deliver competitive advantage. This is becoming more and more important given the centrality of information and knowledge as factors of production in the economy.

The nature of skill development needed in the future

The skill development needs of large business were profiled in Chapter three. As business tackles the challenges of the global marketplace, rapid technological change and increasingly sophisticated customer demands, their skill development needs become more acute. Large enterprises increasingly have an integrated view of their skill development needs and conduct extensive training tied to the specific nature of their workplaces.

28 NCVER (2002), Australian VET Statistics in Detail 2001
29 See the Intergenerational Report released with the 2002/03 Commonwealth Government budget papers.
The case studies confirmed that the changing world of work continues to challenge the nature of the products delivered under the auspices of the national training system and quality framework. There has been significant evolution of these products in the past decade, but the developments have not kept pace with changes in large companies. The following table characterises the evolution from the ‘old’ model of work to the ‘new’ model, including the focus on equipping individuals to deal with change and the greater emphasis on ‘generic’ skills.

Table 4.1

<table>
<thead>
<tr>
<th>CHANGING MODELS FOR THE WORLD OF WORK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Old Model</strong></td>
</tr>
<tr>
<td>Narrowly defined industries</td>
</tr>
<tr>
<td>Relative importance of industry–specific skills</td>
</tr>
<tr>
<td>Relative importance of technical skills</td>
</tr>
<tr>
<td>Stability in industry structure and skills requirements</td>
</tr>
<tr>
<td>Enterprises not competing on the basis of workforce skills</td>
</tr>
<tr>
<td>People remain in the same industry for life</td>
</tr>
<tr>
<td>Separation of professional skills (higher education) and workplace skills (TAFE)</td>
</tr>
<tr>
<td>Goods producing and transforming industries important</td>
</tr>
<tr>
<td>Full time permanent staff</td>
</tr>
</tbody>
</table>

Source: Allen Consulting Group

The evolution documented in Table 4.1 echoes discussion in Section 1.4 surrounding the role of VET into the future. An emerging trend is the increasing importance of certain classes of generic skills that have relevance to virtually all sectors or to important groupings of sectors.

There has always been some blurring of the boundaries between ‘industry’ and ‘profession’. For example: do specific industry skill requirements dominate, or are specific professional skills relatively more important; do employees consider themselves part of a certain industry, or as part of a certain profession? The practical upshot of the drivers listed above is that these distinctions become relatively less and less important.

As VET delivery has historically focussed on technical competencies rather than general workplace skills, these trends have implications for the way VET is delivered.
4.3 *The need for greater flexibility and responsiveness in VET*

There is a need for greater flexibility and responsiveness within VET in relation to both the way the content of training is developed and how this content is then delivered to learners.

This has been highlighted in the *Phase One Report High Level Review of Training Packages* which has reinforced the range of challenges the community is confronting in terms of changing work and work organisations in parallel with changing concepts of knowledge skills, skill formation and ways of learning. The Report confirms that the working environment of 2003 has changed radically since 1989 when the national training system reforms began. It highlights a range of issues with regard to the structure and operation of training packages, a key feature of the current national Training system.

*Increasing flexibility in content development*

A range of research and the Case Studies in Chapter Three of this report indicate that the current system for development of competency based training packages appears to suffer from two basic problems that undermine the timely development of material to address skill needs, namely:

- divisions along industry classification may be inappropriate, failing to take account of the relative importance of cross-sectoral firms, particularly given the relative importance of these firms in generating employment growth into the future; and

- slow turnaround times in developing and altering training packages.

By its very nature, a centralised system of VET qualifications certification, national consistency and quality assurance lends itself to meeting the needs of those whose skill requirements are not subject to rapid change. For instance, it typically takes up to three years to develop and gain accreditation for a new training package that fits within the AQF. Once the package is accredited, it will then often take a further year or two before the first cohort of students to use the package has achieved their qualifications. This five plus year time lag between identification of the need for a new training package and the entry into the labour force of students trained in a quality assured and accredited training package does not present a problem in areas where skill requirements are not rapidly changing. However, in sectors where skill needs rapidly emerge and where the usefulness of a particular skill has a short ‘shelf life’, the time delays involved in a centrally controlled system can be highly problematic.
Anecdotal evidence suggests that private providers are in many instances the preferred training providers for industry (as opposed to traditional public providers) due to their greater flexibility and responsiveness to industry needs. As small or medium size businesses, successful private providers are highly client focussed, frequently delivering training on site and under conditions specified by the enterprise.

Industries where there is rapid churn in skill needs may find that the public VET system simply cannot respond to their needs in a timely fashion. They therefore must either fulfil their training needs in house (perhaps becoming registered training organisations), seek out the services of private training providers who, while offering flexibility/responsiveness, may not be providing quality assured services or they may simply not have their skill needs met.

This may imply a greater emphasis on ‘modular’ learning or cross–sectoral collaborative training package efforts. While industry recognises the benefits of training packages and qualifications portability, in terms of processes in the next decade, there is a need for a ‘circuit–breaker’ in terms of shortening currently long training package turnaround times. Part of this, is an examination of the relative split between enterprise and industry in developing and/or modifying training package modules. There is a feeling that industry would like greater scope to tailor modules to enterprise–specific factors.

Unless a ‘circuit–breaker’ is found, a number of problems will emerge within the VET system, including:

- when significant industry sectors cease to deal with the public VET providers, this undermines the ongoing financial viability of these providers;
- the portability of skills obtained by students/employees is reduced if their training does not occur within the certified and quality assured AQF; and
- there will tend to be socially sub-optimal investment in education and training by enterprises within industries which, due to the nature of their skill demand, are unable to leverage public support for education and training to the same extent as companies in some other industries can.

Ideally, the VET system should be able to effectively offer quality assured training options in a timely manner to all students (whether they are seeking full qualifications or smaller skill top ups) and all industry sectors. The challenge the VET system currently faces is how to allow for greater flexibility/responsiveness without losing the benefits associated with strong quality assurance and a nationally coherent qualifications system.
Increasing flexibility in content delivery

The recent shift in VET policy towards encouraging lifelong learning has seen greater attention focussed on the activities and needs of students who intentionally undertake a program of VET study not leading to a qualification. However, an increase in the availability of flexible module delivery options — such as the incorporation of online training delivery approaches — and the specific analysis on the needs of module completers and the outcomes achieved by these students would still appear to be needed.

Industry accepts that there is a need for both qualifications and modules within the VET system, with qualifications relatively more important for entry–level training and modules of relatively higher interest for those already in the workforce, those who are retraining, and for lifelong learning in general. The current qualifications structure, however, appears to be skewed towards the needs of a particular type of students — namely students who wish to pursue recognised qualifications.

One of the key objectives underpinning the AQF is that it enables articulation between different levels of qualifications. This focus on complete qualifications is also evident in much of the data collected to measure performance within the public VET system. However, the reality of student activity patterns and taking non completion into account, is that around 40 per cent of VET students are module rather than qualification oriented.

The high percentage of students who are not oriented towards the completion of qualifications suggests that students are increasingly seeking to gain specialist skills and that students appreciate the flexibility associated with module rather than course studies. Older people seeking skill updates or retraining particularly call for this flexibility. On the whole however, it appears that the VET sector is still organised as though the goal of most students is for completion of course qualifications.

The introduction of competency based training packages, and the fact that TAFE institutes receive government funding based on module completions rather than course completions, has encouraged greater flexibility in the system for students. However, available literature on the issue suggests that more can be done to make the VET system responsive to the needs of ‘life-long’ learners seeking specific skill top ups rather than full course qualifications.

30 See for example: NCVER (2002), The benefits of modular study in VET; NCVER (2000), The effects of different modes of delivery; and, NCVER (2002), Flexibility through online learning.
4.4 Delivering a better system of VET supply

Given the challenges outlined above, how can we ensure that all providers in the VET sector (public and private) have the capability to deliver training required by industry in terms of relevance and quality?

There is clearly endorsement from industry for private providers — shown through uptake of courses offered by private providers. However, more information is needed on the dimensions of the services offered by private providers.

In terms of analysing the role of private providers, there is a need to consider separately:

- those enterprises that are RTOs; and
- other private providers.

There is an issue about the extent to which public providers are keeping abreast of leading edge industry demands. And if not, why not? For example, is it a breakdown in the information process that operates through established industry-education provider consultation structure; is it a lack of scale and access to necessary infrastructure; or is the rigidity inherent in the TAFE system with tenured staff and large buildings the core problem? If public TAFE has not adapted to the competitive environment of the past decade, does this imply that they have an alternative role within the broader skills formation system? The recent emphasis from ANTA in relation to the need for TAFE to look after special interest groups perhaps suggests a search for a new rationale for the public VET providers.

In terms of the public–private split, there is an issue around the efficient and strategic use of infrastructure, particularly the specialised infrastructure and equipment now called for by world competitive standards. Many TAFE institutes face a difficulty in obtaining and maintaining up to date equipment for use in the training process. In automotive manufacturing for instance, TAFE providers cannot afford the kind of IT intensive production process equipment now used in the sector and therefore they are not able to train students on the type of equipment that industry now uses. This presents a challenge to the relevance of public VET providers within the automotive sector. Indeed, the four vehicle manufacturers and many of the larger component manufacturers are now registered training providers who provide for many of their training needs ‘in house’.
As the case studies demonstrate, companies put in place comprehensive learning and development frameworks that makes it possible for an untrained worker to enter the company and progress through fully accredited education and training programs up to a Master degree level and beyond. Ford for example is an RTO for all or part of the following qualifications:

- Certificate of Vocational Studies
- Vehicle Industry Certificate
- Advanced Certificate in Technology Management
- Advanced Certificate in Engineering
- Advanced Diploma in Engineering
- Advanced Certificate in Automotive Manufacturing

The move by major employers to largely fulfil their own training requirements presents a major challenge for VET providers. In order to remain relevant to employers who would prefer to use the VET sector, local TAFE institutes must become more flexible in the services that they offer. If it is no longer viable to provide training to such companies at the TAFE’s facilities, TAFEs need to become providers of course materials and trainers delivered at the company’s facilities.

This requires the TAFE to invest resources in tailor made content developed in innovative partnership with specific client companies and investment in the skills of their staff to ensure that they remain up-to-date with the latest developments in industrial technology.

There are some good examples of such partnerships between public training providers and companies in the automotive sector. For instance, Robert Bosch Australia, a first tier supplier of a range of automotive components, has formed a strong partnership with RMIT to develop courses, which place a heavy emphasis on skills in the increasingly important and pervasive area of mechatronics, to bridge the gap between trades and engineering qualification levels. They are supporting the development of an internationally recognised career path scholarship with RMIT. However, partnerships such as this are the exception rather than the rule. Australia Post and BHP Steel are two companies expressly seeking a new model of partnership to meet their skill development needs.

Currently, the public training providers appear to be losing the battle, either to the more nimble private training providers or through the companies themselves becoming RTOs to meet the company specific skill development needs. This places a limitation on their ability to generate revenues from industry and also to remain up-to-date in relation to the specific skill needs of industry.
The established central structures for industry/VET sector dialogue may not be sufficiently strong to improve the responsiveness of VET to industry at the local level. Providers will need to engage in direct dialogue with major employers in their region in order to generate better mutual understanding of industry needs and what training services the TAFE institutes sector can provide.

4.5 Funding the public VET system

From the perspective of the business community, it is important that the public VET sector is able to access the level of resources required to deliver high quality and relevant training, particularly in the area of entry-level skills development.

The public VET providers have a relatively narrow funding base and their revenue growth has been severely lagging student activity growth over the past decade. They remain very heavily reliant on Government funding with State and Commonwealth funding accounting for almost 80 per cent of their recurrent revenue. While fee for service and ancillary trading revenue is growing it is not growing as fast as student activity levels. Student fees and charges provide a very low share of total revenue at less than 5 per cent of revenue.

Of concern in relation to the ongoing sustainability of the public providers is that recurrent revenue lags recurrent expenditure, with cash balances maintained largely due to revenue not being set aside to cover the depreciation of capital stock. This means that when facilities reach the end of their useful life, special funding grants need to be sought from Government to replace facilities. This often results in facilities not being replaced until they are well past their useful life.

Discussions are proceeding in the VET sector around the country to leverage greater revenue from industry. However, as the prior discussion demonstrated, the core challenge facing public providers if they are to access greater industry funding is that they must become more relevant and responsive to major industry spenders on training.

4.6 VET sector alignment with the changed skill development paradigm in business

While adjustments can be made to the current VET framework for meeting the needs of business alongside individual and broader community needs, the case argued by large enterprises is that a more fundamental change is called for. Skill development has become a key business strategy in most large enterprises. It is organised nationally and integrates training provision from entry level to higher education and for the shop floor to senior executives. It packages skill development to meet specific competitive needs and is often tied to global corporate standards.
The conclusion drawn from the brief case studies in this report is that the administrative systems and training practices of the VET sector fall short of serving the complex skill development needs of large enterprises. Enterprises have signalled a number of important issues to be resolved in the short term. These include the following:

- Large enterprises consider that their skill development requirements are not adequately understood and reflected in overarching VET policy.
- Enterprises value training in soft skills/employability skills and consider that these areas are not given sufficient emphasis in training packages.
- Enterprises want training closely tailored to their workplace needs.
- Administrative barriers restrict innovative approaches, such as multi-institutional and company partnerships, which can stimulate new training models.
- Registration for large enterprises as RTOs is cumbersome and often redundant considering their global standards.
- Inconsistencies in state-based standards and regulations create inefficiencies.

However, in the longer term a more fundamental shift is called for in how the skill development needs of enterprises are addressed in education and training policy in Australia. A new agenda might take account of factors such as:

- a sharper delineation of roles and responsibilities between the VET sector, large business and smaller sized enterprises;
- the costs versus the benefits of the VET sector regulatory apparatus;
- achieving greater autonomy for large enterprises within a national framework; and
- how to achieve the flexibility and responsiveness that all stakeholders are seeking.

While administrative changes are called for in the short-term, the expanding skill development agenda of enterprises points to the case for a wider ranging reform to the VET sector to align with the new skill development paradigm in business.
## Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE</td>
<td>Adult and Community Education</td>
</tr>
<tr>
<td>Age</td>
<td>The age of the client is calculated as the difference in years between 30 June of the collection year and the client’s date of birth. If only the year of birth has been reported, a birthday of 1 January is assumed.</td>
</tr>
<tr>
<td>All Clients</td>
<td>All Clients include males, females and those clients for whom sex has not been reported, either because the client did not provide the information or because the information was not collected by the training organisation.</td>
</tr>
<tr>
<td>Annual Hours</td>
<td>Annual Hours are used as a measure of total VET delivery. They are based on nominal hours for each subject and represent the anticipated hours of supervised training under a traditional delivery strategy, although, some clients undertake subjects in self-paced learning, flexible-delivery or distance-learning modes. The annual hours reported for 2001 are based on enrolment activity end date.</td>
</tr>
<tr>
<td>ANTA</td>
<td>Australian National Training Authority</td>
</tr>
<tr>
<td>Area of Learning</td>
<td>A broad category, which comprises different discipline, groups and classifies a subject according to its major content matter.</td>
</tr>
<tr>
<td>ASCO</td>
<td>Australian Standard Classification of Occupations — an Australian Bureau of Statistics classification which identifies occupations according to their primary purpose.</td>
</tr>
<tr>
<td>Australian Qualifications Framework (AQF)</td>
<td>A nationally consistent framework of credentials offered in post-compulsory education and training.</td>
</tr>
<tr>
<td>AVETMISS</td>
<td>Australian Vocational Education and Training Management Information Statistical Standard.</td>
</tr>
<tr>
<td>Client</td>
<td>An individual who was enrolled in a subject or completed a qualification during the reporting period.</td>
</tr>
</tbody>
</table>
Community Education Providers: Providers who identify themselves as community education providers and have a primary focus on education and training and who report to the national data collection.

Competency: Knowledge and skills that can be applied in a specific occupation or industry and meet the performance standards required in the specific workplace.

Competency-Based Training: Training aimed at the acquisition of knowledge and skills, and their application, to meet industry-specific standards rather than an individual's needs.

Course: A structured sequence of vocational education and training which leads to the acquisition of identified competencies and, if submitted for accreditation, to a recognised qualification. For reporting purposes, if a course leads to a qualification specified in a national training package, the term 'course' is used synonymously with the term 'qualification'.

Course Completion: Acknowledgment by the training organisation of the client's eligibility for a qualification.

Course Enrolment: The registration of a client at a training provider location for the purpose of undertaking a course. Course enrolments are calculated as a count of the number of distinct enrolments in a course by each client at each training provider. The total may be greater than the number of clients because some clients enrol in more than one course or at more than one training provider.

Credit Transfer: A status or credit obtained on the basis of prior agreements between institutions or organisation as to the credit value of a specific course/subject.

Delivery Type: A categorisation of strategies used to provide a client with learning opportunities to allow him or her to achieve the knowledge or skills required to complete a subject.

Disability Type: A classification of a disability which identifies any restriction or inability to perform an activity which may affect the client's performance during training.

Discipline Group: A sub-category of the Area of learning classification used to identify more specifically the content matter of a subject independent of the context in which it is delivered.
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Category:</td>
<td>A classification of courses based on the major subject matter of the content.</td>
</tr>
<tr>
<td>Enrolment:</td>
<td>Registration by a client with a training provider for the purpose of undertaking a course or a subject. The enrolment is considered valid only if all fee obligations have been met and the client has attended at least one lesson or submitted at least one unit of work.</td>
</tr>
<tr>
<td>Field of Study:</td>
<td>A classification of courses based on the major subject matter of the content.</td>
</tr>
<tr>
<td>Funding Source:</td>
<td>A classification category which describes the funding body or the funding source associated with a course or subject enrolment.</td>
</tr>
<tr>
<td>Highest School Level Completed:</td>
<td>Highest level of secondary schooling completed by a client.</td>
</tr>
<tr>
<td>Industrial Training Advisory Board (ITAB):</td>
<td>An organisation, usually an incorporated association or company, recognised as representing a particular industry and providing advice to Government on the VET needs of its particular industry.</td>
</tr>
<tr>
<td>Language Spoken at Home:</td>
<td>A classification which is used to identify the main language spoken at home by a client.</td>
</tr>
<tr>
<td>Major Qualification:</td>
<td>The highest qualification attempted by the client.</td>
</tr>
<tr>
<td>Subject:</td>
<td>A unit of training a client may enrol in and be formally assessed for.</td>
</tr>
<tr>
<td>Subject Enrolment:</td>
<td>The registration by a client with a training provider for the purpose of undertaking a subject.</td>
</tr>
<tr>
<td>Subject Result/Subject Outcome:</td>
<td>A classification which describes the type of outcome which may be achieved by a client as a result of an enrolment in a subject.</td>
</tr>
<tr>
<td>National Course:</td>
<td>A course registered with the former ANTA Standards and Curriculum Council.</td>
</tr>
<tr>
<td>NCVER:</td>
<td>The National Centre for Vocational Education Research Ltd.</td>
</tr>
<tr>
<td>Non-Award Course:</td>
<td>A course which does not lead to a recognised qualification.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Other Government Providers:</td>
<td>Government-owned and managed education facilities/ organisations, other than TFE, which deliver VET (eg. universities delivering VET).</td>
</tr>
<tr>
<td>Other Providers:</td>
<td>All the organisations, other than TAFE and community education providers, which receive public funds for the provision of VET (including registered private providers).</td>
</tr>
<tr>
<td>Overseas Full-Fee-Paying Client:</td>
<td>All individual permanently residing overseas who participates in vocational education and training on a full-fee-paying basis, irrespective of the source of this funding or the client’s length of stay in Australia.</td>
</tr>
<tr>
<td>Prior Educational Achievement:</td>
<td>A categorisation of types of education that may be completed by a client prior to starting VET.</td>
</tr>
<tr>
<td>Private Providers:</td>
<td>Organisations that provide vocational education and training to individuals and industry on a fee-paying basis.</td>
</tr>
<tr>
<td>Program of Training:</td>
<td>A course (including a course leading to a recognised qualification), subject offered by a training organisation in which clients may enrol.</td>
</tr>
<tr>
<td>Program Type:</td>
<td>Classification category which identifies the type of training provider VET at a training provider location.</td>
</tr>
<tr>
<td>Provider Location:</td>
<td>A specific training site (eg. institute, campus, or annex) administered by a training organisation for the purpose of providing clients with programs of training.</td>
</tr>
<tr>
<td>Qualification:</td>
<td>Formal certification in recognition that a person has achieved learning outcomes relevant to the identified individual, industry or community needs. See also Course.</td>
</tr>
<tr>
<td>Qualification Category:</td>
<td>A classification for the qualification awarded to an individual on successful completion of a course.</td>
</tr>
<tr>
<td>Recognition of Prior Learning (RPL):</td>
<td>A process through which clients may gain status or credit for courses or subjects on the basis of previously gained recognised competencies (obtained through informal/formal training, experience in the workplace, voluntary work, social or domestic activities).</td>
</tr>
<tr>
<td>Scheduled Hours:</td>
<td>The hours scheduled by a training provider for the delivery of a subject.</td>
</tr>
<tr>
<td>TAFE:</td>
<td>Technical and Further Education</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>TAFE Providers</td>
<td>TAFE training institutes/ organisations which deliver VET and report information to the national data collection.</td>
</tr>
<tr>
<td>Training Activities</td>
<td>Activities associated with training undertaken by a client enrolled in a course or subject.</td>
</tr>
<tr>
<td>Training Market</td>
<td>A system of open competition among public and private providers in the provision of VET, giving users greater choice of program and provider. Adopted by the ANTA Ministerial Council as a national policy to encourage diversity and competition among providers.</td>
</tr>
<tr>
<td>Training Organisation</td>
<td>An organisation which administers and/ or VET and reports information to the national date collection.</td>
</tr>
<tr>
<td>Training Package</td>
<td>A set of training components (units of competency) designed to assist the client in achieving relevant competencies for a specific industry.</td>
</tr>
<tr>
<td>Units of Competency</td>
<td>A basic component of education/ training, which can be assessed and recognised in the VET system. It can be studied independently, but is usually offered as part of a National Training Package qualification. Unit of Competency is used in the publication as a term to refer to both the output and the program to training which leads to the output.</td>
</tr>
<tr>
<td>VET</td>
<td>Vocational Education and Training.</td>
</tr>
<tr>
<td>Vocational Programs</td>
<td>Type of training programs (as distinct from Non-vocational programs) designed to equip clients with vocational skills and knowledge that prepare them for the workplace. This indicates general education programs designed for the clients who may want to undertake vocational programs in the future.</td>
</tr>
</tbody>
</table>
Appendix Two

References

ABS (2002), 4230.0, Education and Training Indicators

Allen Consulting Group (1994), Successful Reform: Competitive Skills for Australians and Australian Enterprises, Report to the Australian National Training Authority


Australian National Training Authority (ANTA) (1999), Australian Recognition Framework Arrangements: Updated report


Becker, G., (1975), Human Capital


Deakin University Employment Services (1997), Returns to Training: A Literature Review. Background paper to ANTA

Dowrick, S., (2002), Australian National University, The Contribution of Innovation and Education to Economic Growth

International Labour Organisation (1999), The Changing Role of Government and Other Stakeholders in Vocational Education and Training

Kosky (2002), Ministerial Statement: Knowledge and Skills for the Innovation Economy


NCVER (2000), The effects of different modes of delivery.

NCVER and Blandy et al (2000), Does Training Pay?


NCVER (2002), Issues affecting skill demand and supply in Australia’s education and training sector: At a glance

NCVER (2002), Outcomes and completions of New Apprenticeships

NCVER (2002), Australian apprentice and trainee statistics: Annual 2001

NCVER (2002), The benefits of modular study in VET

NCVER (2002), Flexibility through online learning

National Resourcing Working Group (November 2000), Future Demand for Vocational Education and Training. Report to ANTA CEO's Committee


NSW Board of Vocational Education and Training (October 2001), Beyond Flexibility: Skills and Work in the Future


Porter, M., (1990), The Competitive Advantage of Nation

