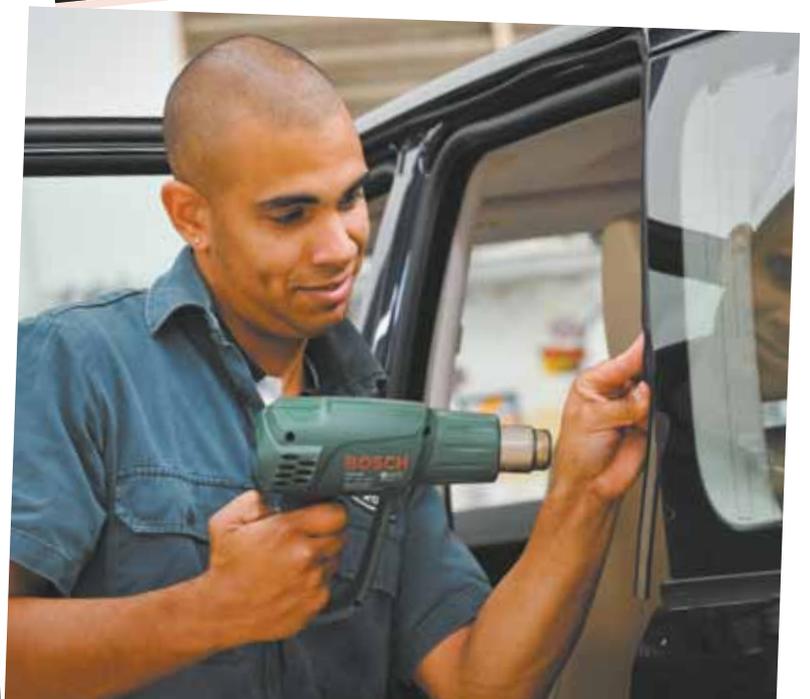
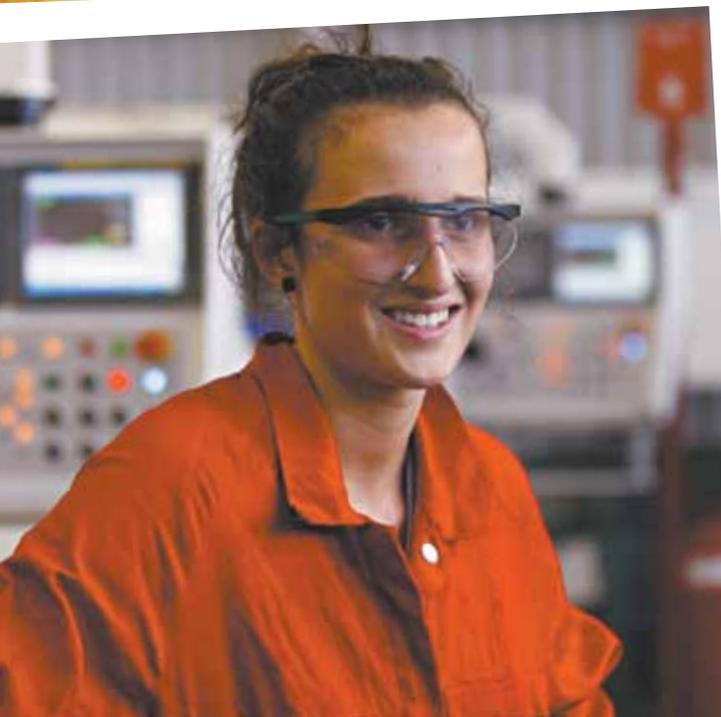


Refocusing Vocational Training in Victoria



**Published by the Communications Division
for Higher Education and Skills Group
Department of Education and
Early Childhood Development**

Melbourne
April 2012

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Authorised by the Department of Education
and Early Childhood Development,
2 Treasury Place, East Melbourne, Victoria, 3002.
ISBN 978-0-7594-0700-8

Accessibility

If you would like to receive this publication in an accessible format, such as audio, please telephone 1800 809 834, or email edline@vic.gov.au

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Minister's Foreword

A strong and sustainable vocational education and training (VET) system is vital for Victoria's future. A well-trained, job-ready workforce is the life-blood of Victoria's industry and business and the largest determinant of productivity in the State's economy. Helping people train in areas of jobs growth is also one of the best ways the Victorian Government can provide Victorians with opportunities to participate in the workforce.

In recent years the Victorian VET system has changed significantly through the introduction of an individual entitlement to a subsidised training place and the opening of the market to competition between providers. The government is retaining and strengthening these market fundamentals. This will ensure that businesses and individuals continue to have opportunities to undertake training and choice over what and where they study.

Since the introduction of a demand driven entitlement in 2009, there has been rapid growth in government-subsidised vocational training. While most of this training is in areas of jobs growth and of high quality, there are examples of training that exceeds the job needs of business and the economy. A small number of providers have engaged in unscrupulous training practices.

The government is committing to new additional measures to ensure our training system architecture is fit for purpose. These initiatives will ensure Victorian VET is high quality and that consumers have better information and more choice about their training. Victorian industry will be given a stronger voice and a critical role in directly influencing the VET market to deliver the outcomes business and our economy need.

The 2012–13 Budget continues a high level of public investment in training and ensures funding returns to a sustainable level, providing a fairer outcome for present and future Victorian taxpayers.

Before the introduction of the entitlement, the government spent about \$800 million a year on training subsidies. Under original projections, this was expected to rise to around \$900 million in 2011–12. The very rapid growth in VET has increased the actual expected cost to government to over \$1.3 billion in 2011–12, significantly higher than provision made in the Budget. The Victorian Government is now moving to stabilise investment in VET delivery. \$1.2 billion a year will now be set aside to meet expected demand for subsidised training, significantly above the original cost trajectory.

Subsidy rates for VET courses will be refocused to better target areas of greatest public benefit and future jobs growth. Students most in need of assistance will continue to be supported through relatively higher subsidies, concessions and fee waivers.

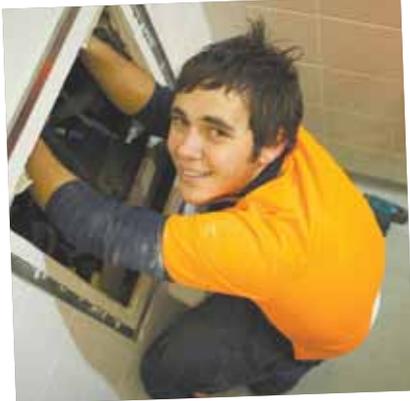
Sustainability requires some tough decisions. Some students and employers will be asked to contribute more towards the cost of training and all training providers, including the publicly owned TAFE institutes, will need to continue to innovate and be more efficient and responsive to industry training needs. These are necessary decisions required to modernise the training system and ensure a fair outcome for all Victorians.

The Victorian Government looks forward to working with the VET sector to implement these reforms, which will secure a high quality, industry driven and sustainable training system into the future.



The Hon. Peter Hall, MLC
Minister for Higher Education and Skills

The need to refocus Victorian VET



Our vocational training system is one of the most important sources of skilled job-ready employees for Victorian business. It allows existing and future employees to learn new skills, increasing their productivity in the workplace.

The vocational training system is particularly critical in supporting trades training, semi-skilled and para-professional workers, including many technical specialists in key Victorian industries. VET also provides an important pathway to higher education from school-based and entry-level qualifications.

From 2009, Victoria has progressively introduced an entitlement for eligible individuals to access a government-subsidised training place. This entitlement, alongside greater competition between providers, has increased opportunities for individuals and employers to undertake VET.

Between 2008 and 2011 the Victorian VET sector grew rapidly. In the government-subsidised VET market there has been:

- a 33% increase in the number of training providers, from 561 to more than 750
- a 44% increase in the number of enrolments, from 381,270 to 549,500
- a 68% increase in the number of hours of training delivered, from 87 million to more than 147 million.

The growth in government-funded VET activity has reached unsustainable levels and, in some cases, has lacked focus. Most Victorian VET activity is in areas of jobs growth and provides the skills that businesses and the economy need. However, there have been examples of training in excess of levels required by some sectors or in areas with lower vocational benefits. At the same time, other industries continue to report persistent skills shortages and a lack of take-up of training places. Victoria has also been required to take action in response to unscrupulous training practices by a small number of providers.

Various reviews undertaken by the Victorian Government since coming to office have confirmed that not only are the current VET funding arrangements unsustainable to the taxpayer, elements of the supporting VET system architecture are no longer fit for purpose. This includes the independent review of VET fee and funding arrangements undertaken by the Essential Services Commission.

We need to better target government support for VET through reform to minimise the risk of ineffective and inefficient operation of the market. These reforms will underpin a VET sector characterised by sustainability, high quality and direct industry engagement. This will lead to training outcomes that are relevant to industry needs and lead to more jobs for Victorians.

Sustainable VET

The 2012–13 Budget continues a high level of public investment in training and ensures that funding returns to a sustainable level, providing a fairer outcome for present and future Victorian taxpayers.

Before the introduction of the entitlement, the government spent about \$800 million a year on training subsidies. Under original projections, this was expected to rise to around \$900 million in 2011–12. The very rapid growth in VET has increased the actual expected cost to government to over \$1.3 billion in 2011–12, significantly higher than provision made in the Budget. The Victorian Government is now moving to stabilise investment in VET delivery. \$1.2 billion a year will now be set aside to meet expected demand for subsidised training in 2012–13, significantly above the original cost trajectory.

The Victorian Government also recognises there are opportunities to reform the VET system to improve the return on the investment that government, business and individuals make in training. A new VET market monitoring unit will be established to advise the government on price and competition to underpin the efficiency and effectiveness of the market. VET funding mechanisms are also being reformed to be more targeted and effective in supporting Victorians to gain the skills our economy needs.

Maintaining opportunity

The Victorian Training Guarantee will continue to be a key feature of the VET system. This allows eligible individuals to access a government-subsidised training place from a wide range of providers, delivering the skills that assist Victorians to obtain work or move to another job or occupation.

The Victorian Training Guarantee continues to exceed the national training entitlement agreed through the Council of Australian Governments (COAG) in April 2012.

The government is expanding the entitlement to allow Victorians of any age whose highest qualification is VCE or VCAL to access a training place at Certificate II or above, increasing pathways back into further education and training.

Expanding the Victorian Training Entitlement

The Victorian Training Guarantee will be expanded to provide an entitlement to a subsidised training place for individuals who are either:

- under 20 years of age
- undertaking a Foundation Skills course
- undertaking an apprenticeship
- undertaking a Certificate II or above level qualification, where their existing highest qualification is a VCE or VCAL, or
- 20 years and older and ‘upskilling’ by undertaking a course at a higher level than their existing qualification.

Strengthening the effectiveness of the VET market

The VET market will continue to offer students and employers a choice of registered training providers, including TAFE institutes, private and Adult and Community Education (Learn Local) Providers, delivering a diverse range of course offerings.

The government will strengthen the VET market by allowing all providers to set their own prices, increasing competition and the incentive for providers to offer better value for money training courses that meet business and student needs. To protect students, providers will be required to disclose their prices upfront and the new market monitoring unit will watch for cases of uncompetitive pricing.

Better targeted investment

Government subsidies will be better targeted to areas where skills and training are most needed for the benefit of the economy. This includes skills shortage occupations—such as carpentry and disability work—and specialised occupations such as electrotechnology that require an ongoing pipeline of technicians undertaking the detailed training required to work in the area.

In over 220 or 20% of courses, subsidy levels will increase for all providers from 2012 levels. This includes all apprenticeship qualifications. Subsidies will also be better targeted within individual industry sectors and qualification levels, guided by industry needs and ongoing monitoring of the responsiveness of the training market. This will provide additional support and incentive for people to train in particular areas of greatest need within a sector.

We will also continue to support training in areas that deliver the greatest public benefit, including the Foundation Skills such as literacy and numeracy that people need to function effectively in the workplace.

The new market monitoring unit will continuously monitor and advise the government on the impact of the new subsidy levels on VET provision across the State, ahead of a comprehensive review of market prices within two years to inform future subsidy levels.

Support for those most in need

Pathway programs such as pre-accredited training delivered through Learn Local Providers and pre-apprenticeships will continue to be strongly supported. The 2012–13 Budget includes funding to maintain the subsidy level for pre-accredited training at current levels.

The government will also continue to provide additional assistance for low SES young people, Indigenous Victorians and regional students to access accredited training. Concession fees will be available for eligible low-income earners studying up to a Certificate IV level qualification.

Alongside this, people who undertake VET courses that deliver higher private returns, such as VET diplomas or advanced diplomas, will be asked to make a greater contribution to the cost of training than they have to date. To reduce the upfront costs to individuals, VET FEE HELP loans will continue to be available at Diploma and Advanced Diploma levels, so students can defer their contribution until they are in work and earning.

Existing students will not be affected by any fee changes for the remainder of 2012, but will transition to new fee arrangements from 1 January 2013 should their course continue beyond 2012. The new fee and funding rates will apply from 1 July 2012 for all new students and existing students enrolling in a new course.



A modern, competitive TAFE network

The government recognises that a sustainable VET sector requires a network of well functioning and modern TAFE institutes offering a diverse range of courses within a contestable training market.

Despite the large growth in the number of private providers, TAFE institutes remain a fundamental part of the VET sector, delivering around half of all subsidised training and the lion's share of training in the trades, specialised occupations and skills shortage areas. TAFEs also play an important role in the wider community.

From 1 January 2013, all providers, whether TAFEs or privately owned, will receive the same training subsidy rates. This will create a more level playing field in VET between TAFEs and non-TAFE training providers. The government will work with TAFE institutes to adjust to the new funding arrangements through structural reform.

The government will support TAFEs through implementing a TAFE governance framework that strengthens the skills of TAFE boards and supports a more contemporary, accountable and innovative sector. Reporting requirements will be streamlined where possible to reduce red tape.

A new approach to TAFE workplace arrangements will allow TAFE institutes to negotiate terms and conditions to meet their individual needs. At present, all TAFEs are required to conform to a single Enterprise Bargaining Agreement covering all TAFE operations around the State. This will lead to greater flexibility and more effective and innovative teaching practices within TAFEs.

A Strong TAFE sector

The government has committed an additional \$1.033 billion over the next four years to support a strong, sustainable and efficient vocational education and training system that equips Victorians with the skills and capabilities essential for a rewarding life as part of a globally competitive workforce.

A strong public training provider network will continue to be a vital feature of this system. Our TAFEs and dual-sector universities are highly valued by Victorian learners and businesses. They will continue to play a critical role in delivering training that meets the needs of their communities.

In particular, government will continue to support the TAFEs to:

- lead the development of high-quality and innovative curriculum, teaching practices and assessment, including for learners with complex learning needs
- build on their strengths in exporting education services interstate and overseas
- foster participation in higher level qualifications and in higher education through clear pathways, strong partnerships with universities and other higher education providers and through higher education delivery within the TAFE
- be efficient and able to effectively compete in a demand-driven, contestable training system, including by applying technology to improve access to and the efficiency of education and training delivery.

Quality VET



The government is committed to ensuring the Victorian VET market delivers high-quality training that can better support job growth now and in the future.

We have heard the concerns over quality raised by providers, industry and consumer advocates during reviews conducted in 2011. In some cases students and government aren't getting what they pay for and employers aren't finding VET graduates with the skills they need for their workplaces.

Victorian VET quality is generally high across both TAFE and non-TAFE providers. More than 87 per cent of students say they are satisfied with the training they received, comparable to the performance in other States. However, there are some areas of the Victorian VET market where quality could be improved.

Government has a role to play in embedding certain minimum quality standards, including stronger consumer protections and assurance of training outcomes. It can also facilitate access to better information to allow informed consumer choice—so students and businesses can more easily access information and compare different training options. This will allow them to vote with their feet and choose the course and provider that best suits their individual needs.

Higher expectations of training providers

The government is raising minimum standards and setting clearer service expectations for providers of government-subsidised training.

Over the past 12 months, we have strengthened requirements for training providers seeking to deliver government-subsidised training in Victoria. The improved contract standards include a more rigorous and independent financial assessment. We are strengthening requirements further so that training providers must demonstrate a capability to deliver the particular courses they wish to offer under government-subsidised arrangements.

Contract standards have also been raised to include new requirements for training providers to provide upfront disclosure of their course fees and performance against quality measures. We will continue to drive quality standards in the government-subsidised system by ensuring that training providers only engage with subcontractors who are able to meet our improved service expectations.

The Victorian Government will also continue to work with the Commonwealth and other States and Territories to seek a national move to performance-based regulation. At the same time, we will develop a voluntary state-based Provider Code of Conduct, in partnership with training providers and business.



Stronger monitoring and compliance checks

As well as enhanced contract entry standards, the government is directing additional resources to support stronger investigative, monitoring and contractual action to address poor provider behaviour.

A new VET market monitoring unit will be established. The unit, assisted by independent advisors, will monitor market trends, including levels of competition and trends in price and quality.

The market monitoring unit will be able to refer examples of behaviour that undermines training quality to a new Rapid Response Team. This team will have the power to undertake audits of providers and report back to government, which will consider whether any contractual or regulatory action should be taken.

The Rapid Response Team will be supported by a new peer review mechanism. This approach will enable peer review panels to be convened to provide expert advice on teaching and training practice, including industry moderation of assessment.

As the VET market matures and a national performance-based regulatory system is adopted, the Victorian Government anticipates that it will be able to wind back some of these additional quality monitoring measures.

Real consumer choice

During 2012, the government will roll out the first phase of the new one-stop-shop training website, meeting the election commitment to provide a public register of training providers. The website will be a one-stop-shop that allows potential VET students and employers to easily access standardised, comparable information on training options and click through to data on training provider prices and quality indicators.

It will complement existing careers websites and the proposed Commonwealth *myskills* initiative by providing more in depth information about Victoria's training entitlement and labour market, including regional profiles.

New quality metrics, including industry ratings and industry-moderated assessment, will be trialled to raise the quality and accountability of training providers and to promote standards of excellence across the training system.

Industry driven VET

Victorian VET is being refocused by putting Victorian industry in the front seat and more able to directly influence the market. This will ensure that training is more responsive to industry needs and relevant to our economy now and into the future.

A new model for industry engagement

An independent review¹ of Victoria's existing industry advisory arrangements found that current arrangements are no longer fit for purpose and that a new model is required.

From July 2012 the government will begin the roll out of a new industry participation model to increase industry's voice in the training market. It will support more direct relationships between employers and training providers and reduce the reliance on intermediaries, allowing industry to talk directly to government when necessary.

Better information

Employers will be provided with the information and tools they need to get the most out of the training system. The one-stop-shop website, as well as the Electronic Marketplace and Regional Market Facilitation Managers, will support employers in engaging effectively with training providers.

A stronger, direct industry voice

The government is committing to a new partnership approach between government and industry. There will be new consultation arrangements, including an Industry Skills Consultative Committee and an Annual Industry Skills Conference.

Direct consultation will ensure government will have access to timely information about what training is needed and instances where the training market is not effectively meeting the needs of enterprises and the workforce. The duplication of effort and the consultation burden on industry will also be reduced by leveraging existing consultation mechanisms, including existing government networks and Commonwealth-funded Industry Skills Councils.

The new model will provide a stronger regional focus on skill and training needs. DEECD will work closely with the Departments of Business and Innovation (DBI), Planning and Community Development (DPCD) (Regional Development Victoria) and Primary Industries (DPI), among others, to tap into industry intelligence across government.

Additional support for critical and niche skills needs

The government will create a new \$6 million a year Industry Transition and Specialist Training Initiative. The initiative will provide support to address critical skills needs in priority sectors and ensure the training market is responding to sectors, regions and workforces experiencing transition. This will include supporting retrenched workers to train in areas of skill need, responses to critical skills shortages and support for niche and specialist occupations.



¹ Boston Consulting Group, "New Enterprise/ Industry Participation Model for Vocational Education in Victoria", 2011

Building trade pathways

The Victorian Government recognises the importance of a strong and responsive traditional trades training system to meeting Victoria's longer term labour needs. Apprenticeships offer large and small businesses essential skilled workers, contributing to the productivity and overall wellbeing of the State. They also offer thousands of Victorians a pathway to a secure career.

The government is committed to improving the effectiveness and efficiency of the trades training system with the understanding that industry support and participation must be at the heart of any reforms. Recent stakeholder consultations have made it clear that Victoria's model for trades training can be better tailored to offer a variety of training pathways that meet the changing requirements of individuals and businesses and the existing skills of potential tradespeople.

While a number of further reform measures are being considered, the government is already taking action, including by:

- **Streamlining the regulation of apprenticeships**—with the Victorian Registration and Qualifications Authority (VRQA) to regulate training to apprentices and trainees by both Registered Training Organisations and employers.
- **Accelerating harmonisation**—through the Victorian Government's active involvement in pursuing national harmonisation of apprenticeship arrangements. In addition to support for national processes, Victoria and NSW have agreed to jointly pursue faster reforms, such as improved transferability and alignment of training contracts between jurisdictions
- **Improving information and support services for employers and apprentices**—through Victorian Government support for the integration of Commonwealth and State support services. A redesigned 'one-stop-shop' will simplify administrative processes, provide a single source of information, promote trades training pathways and better support for apprentices and their employers.



Stronger partnerships with higher education providers

If the Victorian economy is to be served by an increasingly highly skilled workforce, the tertiary education system must deliver pathways that allow VET students to transition from their completed course of study into higher-level qualifications. These pathways and transition opportunities must be clear, flexible and easily navigable in order to deliver the learning outcomes demanded by students and employers.

The Victorian Government is already taking action to support the development of stronger pathway opportunities, especially in regional Victoria where only 37 per cent of regional students completing Year 12 enrol in university the following year, significantly lower than the 54 per cent of metropolitan students.

The government has established the \$20 million Regional Partnerships Facilitation Fund (RPFF) to promote alliances between higher education institutions and VET organisations. These alliances will support these tertiary education providers to better deliver a range of higher education programs and pathways in regional Victoria, giving more students the option to study locally.

In addition, Emeritus Professor Kwong Lee Dow was commissioned to deliver tertiary education provision plans for Gippsland and Outer South-East Melbourne. This work focuses on the institutional arrangements that will allow public providers of VET and higher education to maximise the joint opportunities they can deliver to local students and employers.



More information

For further information on how the government is refocusing Victorian VET, including what it means for students and training providers, go to www.education.vic.gov.au/refocusingvet