



A WELL-SKILLED FUTURE

Tailoring VET to the emerging labour market

Current vocational education and training strategies and responsiveness to emerging skills shortages by Jack Keating

This research explains the planning processes and financial arrangements underpinning the VET sector. It looks at the structural capacity of the sector to respond rapidly and efficiently to a dynamic labour market and changes in patterns of skills demand.

Introduction

The vocational education and training (VET) sector's responsiveness to the rapidly evolving labour market and changes in pattern of skills demand is largely determined by its planning and funding processes. The aim of this research was to examine the capacity of the present system to meet the challenges imposed by a dynamic labour market, particularly emerging skills shortages and surpluses.

Formal processes for the planning and allocation of public funds

The allocation of public VET funding is based upon two sets of processes. Firstly, at the national level, it is governed by the principles and protocols of the National Training Framework and the associated negotiations between the Commonwealth Government and state and territory governments. These negotiations are influenced by the Commonwealth and state and territory priorities for skills development, which in turn have been informed by research, consultation and economic and social policies. Secondly, at the state and territory level, VET funding is framed within agreements with the Commonwealth Government, and is made up of:

- training purchased from the public training providers (technical and further education [TAFE]) and other registered training providers

- the allocation of funds for apprenticeships and traineeships via employers through the 'user choice' allocations and mechanisms
- contestable funding allocated for programs for public and private registered training organisations.

The planning processes are influenced by research and investigation of skill needs and supply ranging from national estimates of 'skills in demand' compiled by the Department of Employment and Workplace Relations, to the information gathered by local training organisations through their industry and community interactions. All state and territory training authorities maintain and, in most cases, are continuing to adjust planning processes for the purchase and delivery of VET. Apart from the negotiations with the Commonwealth Government, these processes typically include:

- the use of broad employment and industry data supplied by the Commonwealth Government and, in most cases, the use of projections and modelling, including the MONASH model
- statewide research into regional skill needs and VET demand, which in some instances includes separate data-gathering exercises and the use of regional or area studies and industry studies
- formal and informal input from industry and the use, in some states and territories, of industry (training) advisory bodies

Program 5:

Understanding VET's current and adaptive capacity

The research consortium, *A well-skilled future: Tailoring vocational education and training to the emerging labour market*, comprises researchers from the National Institute of Labour Studies and the Centre for Post-compulsory Education and Lifelong Learning. Managed by the National Centre for Vocational Education Research (NCVER), it aims to investigate future work skill needs and work organisation arrangements, and their implications for VET.

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- research and planning undertaken by large training providers, which are largely the TAFE institutes
- the input of state and territory economic and social policies and priorities, including industry and region-specific initiatives
- the use of contestable funds to allow some degree of market influence.

Full-fee VET programs delivered by public and private training organisations are generally not influenced by these processes. VET in Schools and school-based apprenticeship programs, which continue to grow in levels of participation, are influenced by the VET planning and skills priorities processes in some systems, and not in others.

These formal processes are dominated by the allocations to and negotiations with the public VET sector, which accounts for over 85% of the total public training funds. In most cases TAFE institutes retain a relatively local clientele. The degree of autonomy of the institutes and their market orientation varies across the country. However, they continue to play a significant social role for different social groups, as second-chance education and, more recently, as a para-provider for school age students.

Complexity and flexibility

These planning processes are required to deal with a complex and dynamic labour market and patterns of skills demand. Occupational skills markets range from the highly localised, especially in rural areas, to the use of the international labour market in some of the major mining and development markets. They also vary across occupations and across regions, especially in the context of the boom in mining and related industries. This is reflected in the patterns of school leaver entry into VET programs, including apprenticeships.

As a consequence of the complexities of the labour market and the multiple demands upon the VET system, the planning processes used by state and territory training authorities are relatively different, dynamic and in some cases quite complex.

Implications for VET

Public investment in VET is premised upon the limited capacity of the market to generate sufficient levels and appropriate forms of training to supply the skills needed

by industry and the community. The planning processes are premised upon the objectives of achieving the most efficient and effective allocations of public funds, and of maximising the overall levels of skills formation. In this context, some of the implications for future VET planning include the following.

- The dominance of the TAFE sector in the delivery of formal and publicly funded VET risks a type of path dependency. There is strong pressure upon the planning processes to maintain existing agreements for the large TAFE providers, who can lack flexibility in their delivery profiles.
- With the exception of major industry and infrastructure developments, it remains difficult for skill- and industry-specific publicly funded training to be delivered to enterprises or communities at relatively short notice. Flexibility remains a major issue.
- There is a common problem of data quality and consistency. This is especially the case at regional levels where the relationship between the demand for and supply of skills can be volatile.
- Some TAFE institutes have found it difficult to fill all of their funded places. This limits reliance upon individual demand for VET and requires the creation of ways of strengthening this demand.
- The TAFE sector retains a role in providing tertiary education pathways for school leavers; it is the major provider of second-chance education and has a growing percentage of teenage students. The planning processes need to reconcile largely localised social demands with regional and wider skills demands.

This overview is based on the research report, *Current vocational education and training strategies and responsiveness to emerging skill shortages*. Visit <http://www.ncver.edu.au/publications/1721.html> for more information.